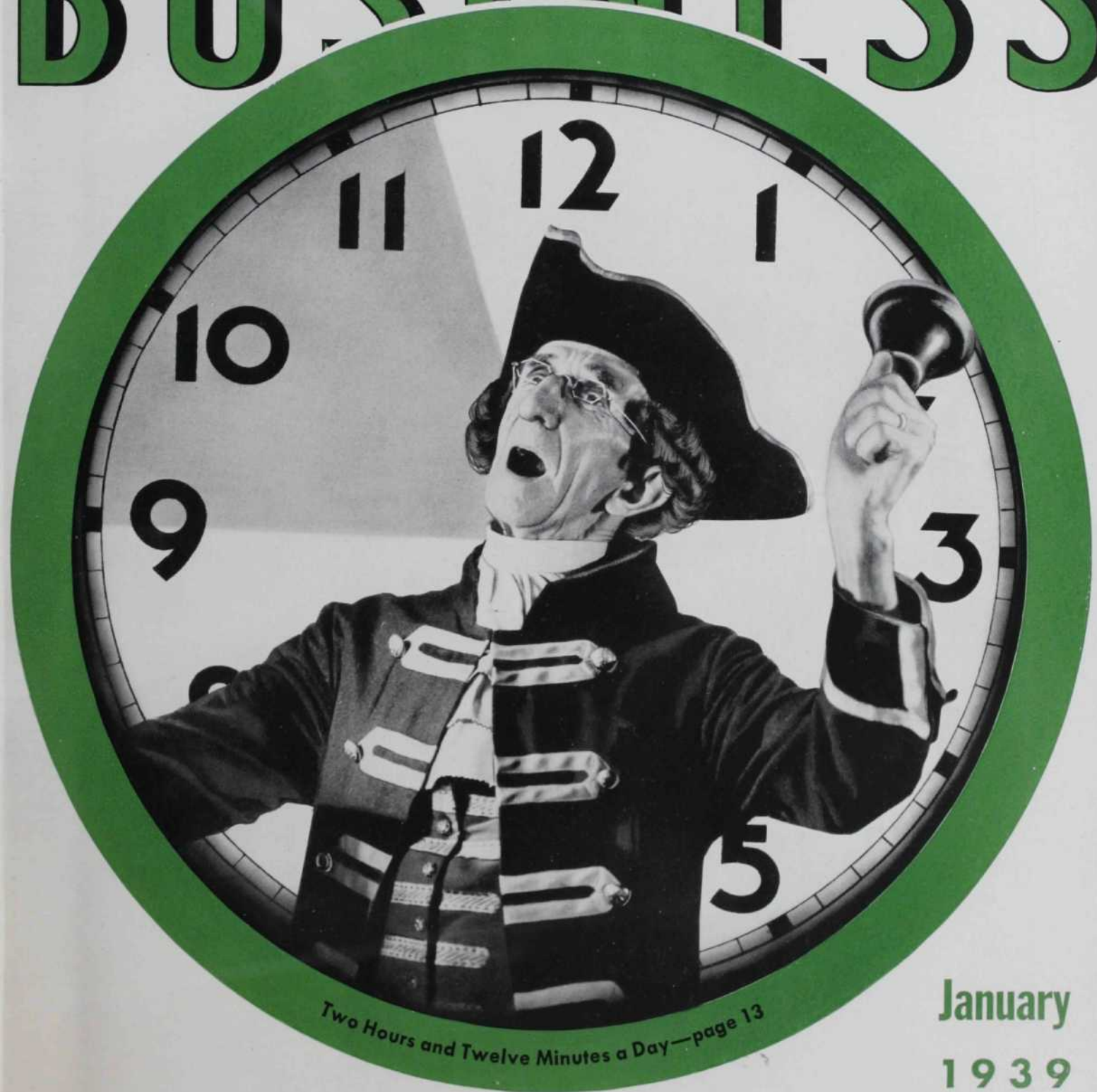


# NATION'S BUSINESS



Two Hours and Twelve Minutes a Day—page 13

January  
1939

What Will Government Cost Next Year? • So You'd Like to Reduce Your City Budget • The Formula for Prosperity Has Been Sabotaged



## **EVEN A HORSE NEEDS TO SAVE HORSEPOWER**

The purpose of a thoroughbred is to win races.

He wins by picking up and putting down four feet as rapidly as possible.

Each of these reciprocating feet is fitted with a buffer plate (horseshoe to you) which the horse has to pick up and put down about 635 times a minute.

We know a firm who sells quite a lot of racing horseshoes made of forged Alcoa Aluminum.

They cost a bit more.

But they weigh a bit less.

They get results . . . because even a horse needs to save horsepower.

Substitute your machine for the horse, and you have the essence of the weight-saving mission of Alcoa Aluminum.

Your engineers know a lot about the alloys of Alcoa Aluminum; about forgings, castings, and sheet; about fabricating, and all that. What they would like from you is a command to get tough with the excess weight they already know how to get rid of. How about it?

If before you talk with your staff, you would like to get posted on what Alcoa Aluminum might do for you, our engineers are at your call. Aluminum Company of America, 2125 Gulf Bldg., Pittsburgh.



# ALCOA · ALUMINUM

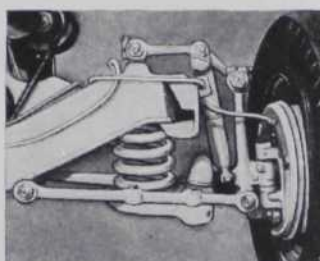


# A Better Built Car In Every Way

**YET PRICES  
ARE LOWER**



STANDARD EQUIPMENT on "De Luxe" models at no extra cost—Perfect Remote Control Shifting with Auto-Mesh Transmission.

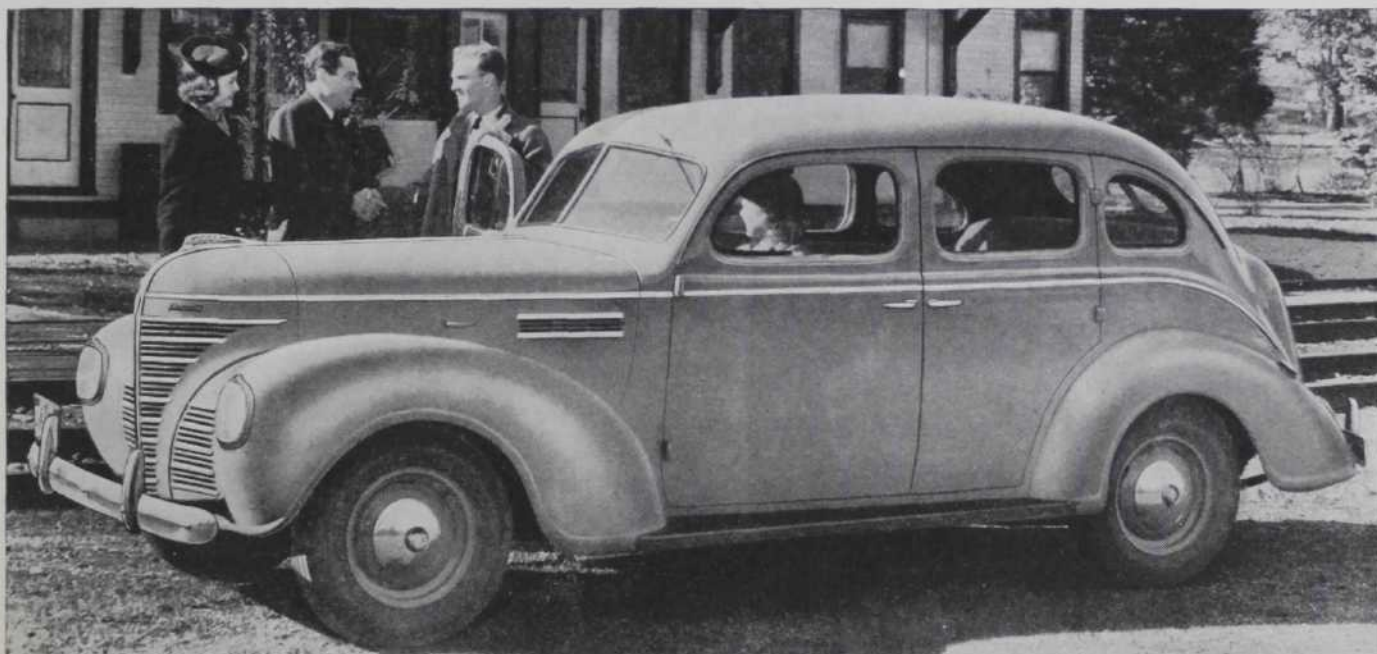


NEW AMOLA STEEL Coil Springs, finest design known, give Plymouth a wonderful new ride. Standard on "Roadking" and "De Luxe" models.

## You See Finer Quality in Every Detail!

1. 114-inch Wheelbase.
2. Thrilling High-Torque Engine Performance with New Economy.
3. Perfected Remote Control Gear Shifting.
4. Amola Steel Coil Springs.
5. Ingenious new "Safety Signal" Speedometer.
6. New Streamlined Safety Headlamps—greatly increased road lighting.
7. Time-Proven, Double-Action Hydraulic Brakes.

**EASY TO OWN**... your present car will probably represent a large proportion of Plymouth's low delivered price... balance in low monthly instalments.



THE GREAT NEW 1939 PLYMOUTH "DE LUXE" Four-Door Touring Sedan...with completely rust-proofed Safety-Steel body.

**EASY TO BUY** "Detroit delivered prices" include front and rear bumpers, bumper guards, spare wheel, tire and tube, foot control for headlight beam with indicator on instrument panel, ash-tray in front and rear, sun visor, safety glass and big trunk space (19.6 cubic feet). Plymouth "Roadking" models start at \$645; "De Luxe" models slightly higher. Prices include all federal taxes.

Transportation and state, local taxes, if any, not included. See your Plymouth dealer for local delivered prices. PLYMOUTH DIVISION OF CHRYSLER CORPORATION, Detroit, Michigan.

**TUNE IN MAJOR BOWES' ORIGINAL AMATEUR HOUR, COLUMBIA NETWORK, THURS., 9 TO 10 P. M., EASTERN STANDARD TIME**

# PLYMOUTH BUILDS GREAT CARS

NEW "ROADKING"  
NEW "DE LUXE"





● Thirty-six Fairbanks-Morse service branches strategically located throughout the length and breadth of the United States assure quick and efficient service on all Fairbanks-Morse products. No matter where you are located, you are not far from one of these branches—each of which is manned by competent engineers. The one near you is familiar with the

problems peculiar to your part of the country. Thus when you choose Fairbanks-Morse equipment, Diesels—pumps—motors—scales, the type and application best suited to your needs are insured by the assistance of men who know your local conditions. Fairbanks, Morse & Co., 600 South Michigan Avenue, Chicago, Illinois.

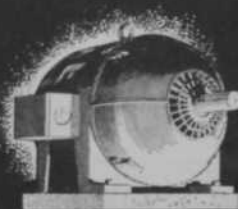
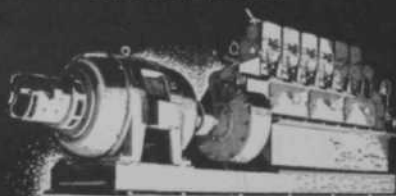
## FAIRBANKS-MORSE POWER, PUMPING, AND WEIGHING EQUIPMENT

109 YEARS OF PRECISION MANUFACTURING



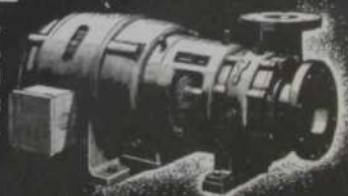
**Fairbanks Scales**—for weighing anything from .002 oz. to 1,000,000 lbs.

**Fairbanks-Morse Diesels**—10 to 1400 horsepower for stationary and mobile service.



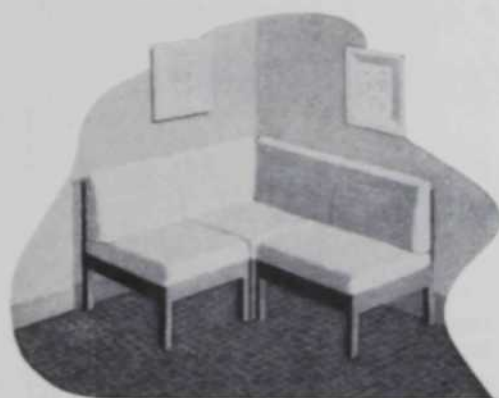
**Fairbanks-Morse Pumps**— $1\frac{1}{2}$  gallons per minute to 150,000 g.p.m. and for every kind of pumping service.

**Fairbanks-Morse Motors**— $\frac{1}{4}$  hp. to 10,000 hp. for all kinds of domestic and industrial service.





# How a furniture *fad* gave new life to a whole industry



**T**HIS is the story of a few bold men who flew in the face of tradition.

Some ten years ago, they brought forth the first of the furniture that has become known as "modern" design.

Like most innovations, it was greeted with doubt. More, it had scarcely made its bow, when the world found itself in the depths of depression.

What happened then is what has happened again and again throughout American business.

Faith and initiative went to work — patiently set about advancing an idea which had in it the power to open new markets.

Witness now the results—modern furniture

accounts for more than a fourth of the industry's 800 million dollar

annual sales volume.

And to this you can add uncounted millions of dollars more in other furnishings to match—new lamps, new drapes, even new ash trays.

Collins & Aikman Corporation have had a first-hand view of this development, because modern furniture calls for modern upholstery fabrics.

And out of their broad experience, it was natural that they should be called upon to develop new yarns, new dyes, new colors, new weaves, patterns and textures to match this modern furniture in style and sales appeal.

★ ★ ★ ★

## COLLINS & AIKMAN CORPORATION

200 Madison Avenue, New York City

# How Much Will Government Cost

By LAWRENCE STAFFORD

## BIGGER deficits? Lower costs? Higher taxes?

### The new Congress must make a choice

**C**HOSEN at an election which has been widely heralded as a swing to the right, the new Congress will meet this month to grapple with many pressing national problems. At the forefront of these will be the budget for 1940. This means, if the subject is given the care-

has been handled by waiting for something to turn up.

Serious consideration and action cannot be put off much longer. The problem, by its sheer weight, is clamoring for attention. At the close of this fiscal year next June 30 the Government will have incurred the biggest peace-time deficit in its history, except for 1936, the year when the bulk of the soldiers' bonus was paid in full. The spending total of \$8,985,000,000 will reach a new peace-time high and will exceed the expenditures of 1931—the first of the recent deficit years—by more than 170 per cent.

#### Balancing becomes harder

IF the trend is allowed to continue for even another year or two there may be serious question whether the politically chosen representatives in government ever will muster the courage necessary to balance outgo with income.

The discussion of the future of federal finances was probably more serious a few years ago after only two or three deficit years, than at present after nine deficits in a row. Well informed persons, of course, are deeply conscious of the implications of continued, unchecked deficits. Such persons, however, noting what little effective resistance to spending can be mustered in any important quarter, are inclined to shrug their shoulders hopelessly.

Perhaps the popular lassitude on this question results because destructive inflation, national bankruptcy and other disasters have failed to materialize as soon as expected. The threat of these dangers still remains, but popular concern has become dulled.

The spenders, for their part, sail along confidently on the theory that a rise in the national income is following government spending and will—some time—bring about an automatic balance of the budget. So they do not worry about what is happening while they await the automatic balance.

What will the new Congress do? Will it tackle the problem in a courageous and realistic fashion? Or will it follow the easy way chosen by preceding Congresses and let its successors do the worrying? Whatever course it decides upon, here are some of the things that it must consider:

Last summer's revised budget estimates leave the Government virtually \$4,000,000,000 in the red for the current year. To cover the expected \$9,000,000,000 of expenditures, estimated revenues are only about \$5,000,000,000.

Of course, there has been some upturn in business and it may be that tax collections and other receipts will exceed expectations. But, even on the most optimistic basis, receipts will fall short of the 1938 fiscal year when the Government took in \$6,242,000,000. There is reason to believe, however, that expenditures may exceed the \$9,000,000,000 now estimated, in which event the deficit for 1939 would still be somewhere around \$4,000,000,000.

Looking ahead to the fiscal year 1940, there seems to be little prospect that next year's spending will drop much below the total for this year. Of course, public opinion may call a halt at any time but this is a possibility, not a probability.

The spending idea still has broad support among the numerous voters



In spite of heavier taxes spending has continued to outstrip income

ful attention it deserves, a critical survey of the federal Government's entire fiscal situation.

The subject has received scant attention in the past few years—scant, that is, in comparison with its fundamental importance. So far, Congress and the Administration have dealt with the problem in a haphazard fashion. With but little thought to revenues, huge sums have been appropriated to meet emergency conditions and to undertake new and almost unheard of activities. As a partial offset, new taxes have been loaded onto the taxpayers, but spending has continued to outstrip income.

The problem of a balanced budget



Defense may entail increased expenditures of \$300,000,000



# Next Year?



Sooner or later the problem of the budget must be faced

in the lower income groups. Besides this, proposals for new expenditures are in the offing and supporters of these ideas can combine for log-rolling parties in ways that will defeat the most carefully laid budget plans.

Some savings should be possible in the expenditures for recovery and relief for which \$2,650,000,000 is allowed in the budget estimates for this year. While this sum leaves considerable room for economy, it does not leave enough. A billion or so might be lopped from the appropriations for the Works Progress Administration, but lagging Public Works Administration expenditures will carry over into the new year because of projects authorized but not completed.

## More spending proposed

AGAINST whatever savings might be brought about in relief are the proposals for new spending. These include an \$850,000,000 public health program of which the federal Government would contribute half, or \$425,000,000. The President also has spoken warmly of the Fletcher-Harrison bill to provide federal educational aid to states, beginning at \$70,000,000 the first year and rising to \$200,000,000 a year when the program gets into full swing.

In the face of large crop surpluses,

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## NATION'S BUSINESS • CHAMBER OF COMMERCE OF THE U. S.

VOLUME 27

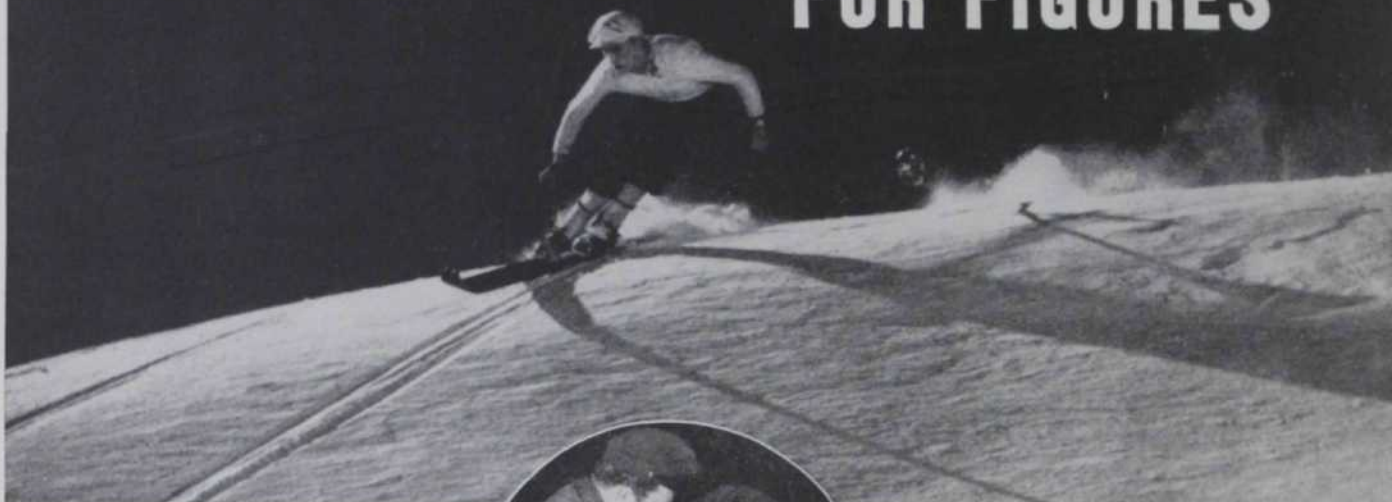
Merle Thorpe, Editor & Publisher

NUMBER 1

Managing Editor, RAYMOND C. WILLOUGHBY; Business Manager, LAWRENCE F. HURLEY; Director of Advertising, E. V. THOMPSON.

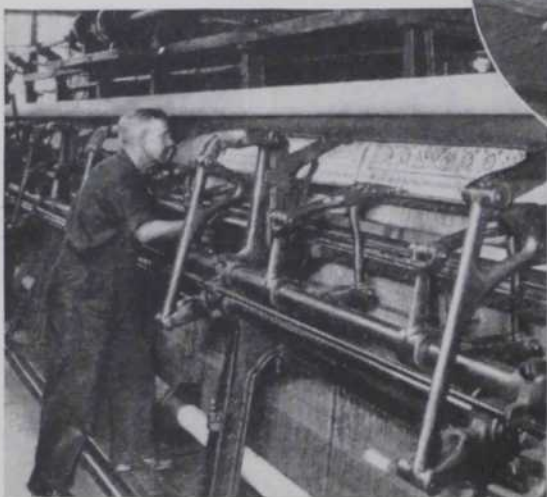
GENERAL OFFICE—Washington, U. S. Chamber Building. BRANCH OFFICES—New York, Graybar Bldg. San Francisco, 433 California Street. Dallas, 1101 Commerce St. Chicago, First National Bank Building. Atlanta, Chamber of Commerce Building. As the official magazine of the Chamber of Commerce of the United States this publication carries authoritative notices and articles in regard to the activities of the Chamber; in all other respects the Chamber cannot be responsible for the contents thereof or for the opinions of writers.

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the Commodity Credit Corporation is making loans on cotton, wheat, and corn—one-way loans. Under these loans the Government collects only if the price of the farm crop on which the loan has been made rises above the loan level. Already, due to past operations, the corporation has suffered an impairment of about \$95,000,000 in its capital, and some loss on present operations is far from impossible. The Government likewise has committed itself to uncertain expenses in connection with removal of price-depressing surpluses and crop insurance.

### Social security expansion

ALSO in sight is expansion of the social security program, which will result in two items of additional expense. The first is the advancing of the date for beginning monthly payments under the federal annuity plan, and the raising of the rate of monthly payments for those who otherwise would receive but small pensions. The other expense will arise from the proposal to include domestic servants, farm labor, or other present exempted classes within the scope of the Act. While taxes presumably will be collected from the new beneficiaries and their employers, there is real doubt as to their adequacy in covering costs.

Finally, there are proposals for enlarging the national defense. It is more than likely that this program will entail increased expenditures of at least \$300,000,000 in the fiscal year 1940, as compared with the present year, with possibly several billions over the next few years.

Congress may not approve all the spending programs which may be proposed. The background of the 1938 election, however, does not lead one interested in government economy to rejoice greatly. Many members of both parties were elected with the support of pension and other spending groups.

Considering past performances in Congress, the background of the new Congress and the spending proposals that will be offered, it would appear that the national legislature might be doing pretty well if it holds the 1940 expenditures down to \$8,000,000,000.

Against any general move for economy it is to be noted that the Government at present stands committed for years to come for the support and continuance of a variety of activities. The slum-clearance program is an example. The Government contracts to pay 3½ per cent in an annual subsidy in connection with "loans" to finance low-cost housing projects. In a typical transaction, the U. S. Housing Authority lends \$900,000 to finance a

project costing \$1,000,000 and, in addition, will pay \$35,000 in an annual subsidy on this project for 60 years, or a total of \$2,100,000.

Together with the loan, the Government pays out an aggregate of \$3,000,000, and collects \$900,000 plus interest at three per cent on the diminishing balance, or considerably less than the \$3,000,000. Some \$800,000,000 of this "lendable" money has already been authorized, and Congress may be asked to allocate from \$500,000,000 to \$1,000,000,000 more this year.

No less discouraging than the expenditure picture is the revenue situ-



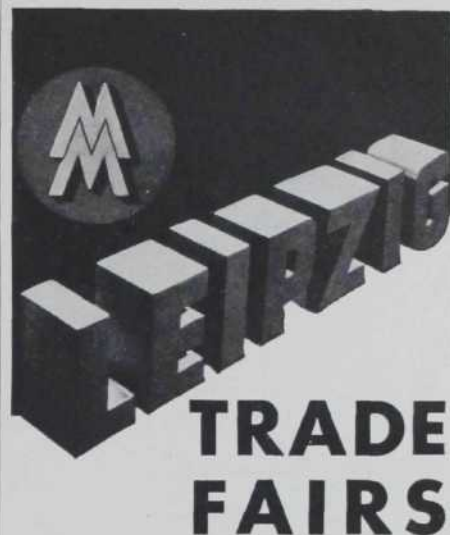
A change should be made promptly or it may be too late

ation. If the business improvement continues, 1940 revenues should rise well above the \$5,000,000,000 estimated for the current year. How much above this sum, however, is the question. The answer will depend mainly upon the degree of business improvement.

In the 1938 fiscal year the Government took in a little more than \$6,000,000,000 in taxes—more than it ever collected before except one year. Other revenues brought the total receipts up to \$6,242,000,000. The Treasury will be doing well if it surpasses that figure materially.

Thus, if Congress were to appropriate for not more than \$8,000,000,000 of spending, the gap between income and outgo would still be from \$1,000,000,000 to \$2,000,000,000.

Such a calculation, however, leaves all debt retirement out of the picture. Nineteen-forty may be too soon to expect adoption of a debt retirement program. Perhaps observers should consider it fortunate if Congress puts a stop to increased spending. Sooner or later, however, this problem must



### NEW PRODUCTS . . . NEW PROFITS

Business executives who are on the lookout for new products to manufacture and sell—new materials to work with—and new time- and labor-saving equipment will find a trip to the Leipzig Trade Fairs this Spring extremely profitable.

Here at Leipzig in less than one week's time, you cover the merchandise exhibits of some 6,500 firms, and the engineering and technical displays of another 3,300 exhibitors. Your particular lines are completely covered by all the important manufacturers of the world. Some 34 nations are represented among the exhibitors.

Advance indications already point to an attendance of more than 305,000 business executives and buyers from 72 countries—at the coming Spring Fairs in Leipzig, Germany, opening March 5th. The great majority of these executives have attended the Fairs in Leipzig before—a tribute to the benefits and competitive advantages to be gained by regular attendance.

Every "top-flight" business executive should get the full details on these important, semi-annual international Trade Fairs. Write on your business or professional letterhead for Booklet No. 53 describing in detail the Merchandise Fairs—or for Booklet No. 54 covering the Technical Fairs. Our New York Office—or an Honorary Representative near you—will be glad to help you determine what these Fairs offer your business. There is no obligation. Write today. Leipzig Trade Fair, Inc., 10 East 40th Street, New York.

General Merchandise Fairs

March 5th to 10th

Great Engineering and Building Fairs

March 5th to 13th

WRITE FOR THESE BOOKLETS





*"Son, that pipe  
is going to save  
you money"*

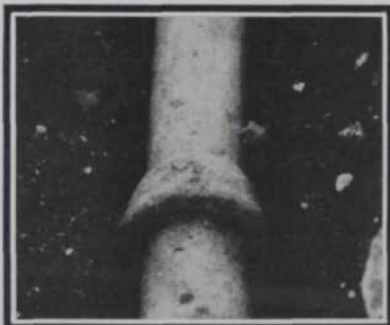


**T**AKE a good look, son. That's cast iron pipe and it won't have to be dug up and replaced for a century. Downtown there are cast iron water mains older than I am. Suppose the city had to replace them? All of us property owners would have to share the cost. I'm saving those extra tax dollars because cast iron pipe serves for a century. When you grow up to be a taxpayer, it will save *you* money, too."

\* \* \*

Water mains represent about one-third of this country's 5-billion-dollar investment in public water supply systems. More than 98% of these mains are cast iron pipe with a *known* useful life at least double the *estimated* life of other water main materials. Because the

tax-saving, through deferred replacements alone, is enormous, cast iron pipe is known as Public Tax Saver No. 1. It is the only ferrous metal pipe, practicable for water, gas and sewer mains, which rust does not destroy. Made in diameters from 1¼ to 84 inches.



Unretouched photo of cast iron water main installed in St. Louis more than 100 years ago and still in service.

## CAST IRON PIPE

### PUBLIC TAX SAVER NO. 1

THE CAST IRON PIPE RESEARCH ASS'N, T. F. WOLFE, RESEARCH ENGINEER, PEOPLES GAS BLDG., CHICAGO

be faced. When it is, the main question will be the size of the sum that should be set aside to retire the debt.

If the 1920's offer any criterion of how rapidly the debt should be reduced, a large additional sum would have to be saved out of expenses or raised in revenue for this purpose. From 1920 through 1930 the debt was reduced from nearly \$25,500,000,000 to a little more than \$16,000,000,000 at an average rate of more than \$845,000,000 a year. Of this sum, about \$446,000,000 was provided from "ordinary receipts," and the balance came largely from surplus of receipts over expenditures.

#### An expensive sinking fund

BY JUNE 30, 1940, it is estimated that the federal debt will total \$40,650,000,000. If the plan of the '20's is followed, the retirement program on a \$40,000,000,000 debt would call for about \$715,000,000 a year. So Congress sooner or later apparently will have to find that sum each year for debt retirement.

It will be difficult for Congress to lay its hands on easy sources of revenue for these purposes. One current proposal would cut the income-tax exemptions to \$800 for single persons and \$2,000 for married persons. This, however, would bring in only about \$60,400,000.

A general manufacturers' sales tax at three per cent would yield only about \$380,000,000, after deducting existing manufacturers' excise taxes, according to reliable estimates. A five per cent tax—probably out of the question—would net only \$530,000,000. Of course, a broader sales tax, say one on manufacturers, wholesalers and retailers, or a general turnover tax, could be made to yield \$1,500,000,000 or \$2,000,000,000 but adoption of such far-reaching legislation appears unlikely.

A three per cent manufacturers' sales tax and reduction of income-tax exemptions together would return only about \$15,000,000 more to the Treasury than would be required to finance the federal share of the proposed new public health program, leaving very little over for expanded social security, increased national defense, or debt retirement.

Congress could, of course, adopt these or other proposals, or increase taxes generally all along the line. Our taxes, however, already are higher than they ever have been; they may even have gone beyond the maximum consistent with safety.

This country is now taxed about as heavily as the British. The Finance Department of the National Chamber of Commerce has pointed out that, for the latest year for which comparable



data can be obtained (1937), the U. S. *per capita* tax burden was about \$95 and that of Great Britain about \$100. America's taxes went up considerably more in 1938 than did British taxes. Furthermore, government in Great Britain is pretty much on a self-supporting basis. If government here were coming as near to making ends meet, the American tax bill would be more than \$130 *per capita*.

Of course some European countries may be taxed more heavily—the dictator countries, for example. But the American people repeatedly have given convincing evidence that they have no desire to adopt dictatorship.

If Congress decides to close the large gap between revenues and expenditures by increasing receipts, the result must be a rise in taxation which might have a paralyzing effect upon the recovery movement that now appears to be under way. Thus attention must be given to closing the gap by sharp reductions in expenditures.

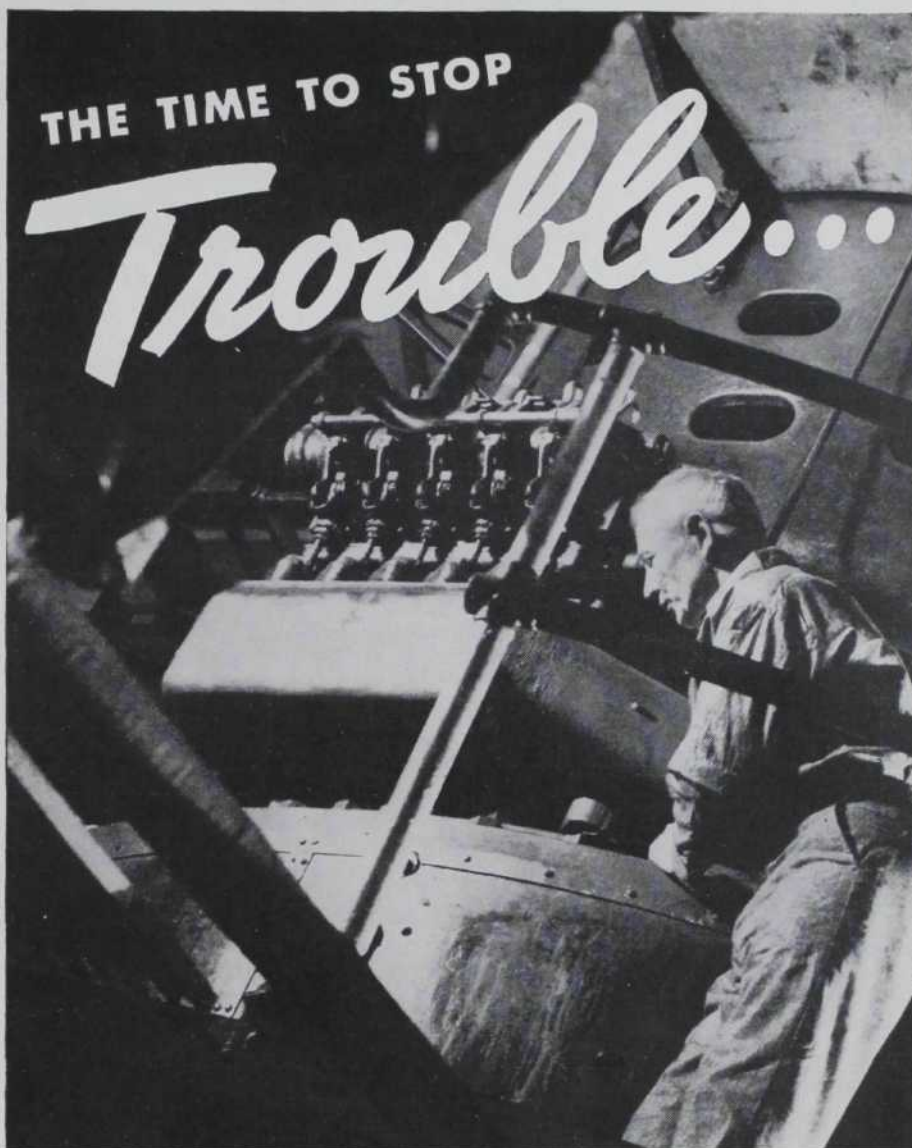
### Government might be trimmed

SPENDING can be reduced without ending all relief since the spectacular rise in government expenses over the past several years has not been due exclusively to relief. Even if the entire estimated \$2,650,000,000 to be spent for recovery and relief were to be sliced from the present year's budget, expenditures would still total \$6,335,000,000 in comparison with estimated revenues of \$5,000,000,000. Expenditures have grown because of the steady expansion of governmental functions.

Should Congress fail either to reduce expenditures or to increase revenues, the alternative is an increase in the federal debt. Available figures raise the question of how far the country's banks and financing institutions can go in absorbing an increasing total of government and government-guaranteed bonds.

As of June 30, 1938, 33.2 per cent of the total loans and investments of member banks of the Reserve system was invested in federal bonds, compared with 11.4 per cent in 1930. On December 31, 1937, 18.2 per cent of the assets of the chief life insurance companies consisted of federal government bonds, as contrasted with less than two per cent in 1930.

The direct debt cannot be considered alone, however, because the Federal Treasury unconditionally guarantees the principal and interest of some \$5,082,000,000 of the bonds of its agencies such as the Federal Farm Mortgage or Home Owners Loan Corporations. While assets behind these guaranteed bonds may make it unnecessary for the taxpayer to make them good, the guaranteed bonds



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# THE MAN AND THE TRUCK

*..working Partners of the Highway*



**M**ILLIONS of loads of merchandise travel by truck each year—wheels on the road and a driver in the cab. And now that it's winter, the traveling is tough. Pleasure traffic heads for cover, but trucks—and a man for every truck—must stick to the job! Man and truck go all the way together, cross-town or cross-country—a close and intimate partnership that means a great deal for America.

Here's a fact that won't surprise truck drivers, but it may be news to you: *More heavy-duty trucks are purchased from INTERNATIONAL HARVESTER than from the next*

*three manufacturers combined . . .* There are plenty of sound and practical reasons why the man in this man-and-truck partnership is so often teamed with an International. Hundreds of thousands of International drivers sum it up something like this: "It's a great go-getting truck that you can depend on from every angle and for any need, and that goes for the service too!"

So much for the partners on the highway. Of course the *owner* belongs in the picture too—and how! He's the BOSS. He buys the truck to start with, *and that means he and the driver feel the same way about it.*

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180 North Michigan Avenue

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must be considered properly as a part of the true federal debt. Taken with the direct debt estimated as of next June 30 at \$40,650,000,000, these guaranteed obligations bring the total debt to \$45,732,000,000.

Official figures on the assets and liabilities of all banks in the United States June 30, 1938, disclosed that bank holdings of federal direct and

ditional \$125,000,000 of federal capital in these banks. The total of land bank bonds is about \$1,800,000,000.

Considering all the elements of federal debt together, the total is within shouting distance of \$50,000,000,000. By comparison, the savings deposits in the United States total about \$24,493,000,000, while the total assets of life insurance companies are about

## A Business View of Federal Finances

**S**UGGESTIONS for a businesslike handling of the Government's financial situation are set forth in a report of the U. S. Chamber's Committee on Federal Finance recently submitted to the Board of Directors. Among the Committee's specific recommendations respecting federal debts, appropriations and expenditures are these:

The business community should take all appropriate steps to develop public realization of the significance of the trends of federal expenditures and debt and to urge constructive action by Congress.

Congress should end continuous federal deficits without imposing increased taxation.

Congress should reduce deficit financing in the fiscal year closing June 30, 1940, and end it in the fiscal year ending June 30, 1941.

Congress should require a definite limitation upon new debt, for the fiscal year closing June, 1940, to an amount required to pay contractual obligations carried over from the current year and to give only indispensable aid to communities unable to provide reasonably for relief of the needy unemployed.

Until the federal debt is substantially reduced Congress should avoid the establishment of additional spending agencies of the Government or any new forms of government expenditures.

Congress should develop its procedure to provide early consideration each year of the budget situation as a whole, with the objective of fixing a limit upon the aggregate amount of appropriations shortly after the executive budget is submitted and before detailed appropriations are reported from Committee.

The business community should itself refrain, and urge persons or groups within or without the government to refrain, from exerting pressure for appropriations of a special-interest nature.

Congress should require abandonment of a policy of spending public money for "pump-priming."

Congress should require abandonment of a federal policy of developing or requiring enlarged public works programs as a means of providing unemployment relief; the federal public works should be kept to the minimum essential for ordinary operations of the government.

Congress should place progressively larger responsibilities upon the states and local governments for expenditures in behalf of unemployment relief, with full discretion left to those governments to determine whether any grants or loans of federal funds will be employed in direct relief or work relief.

Congress should enforce a policy that federal grants or loans to the state and local governments for relief purposes will be permitted only if requirements prescribed by it as to efficient local administration of the funds will be met.

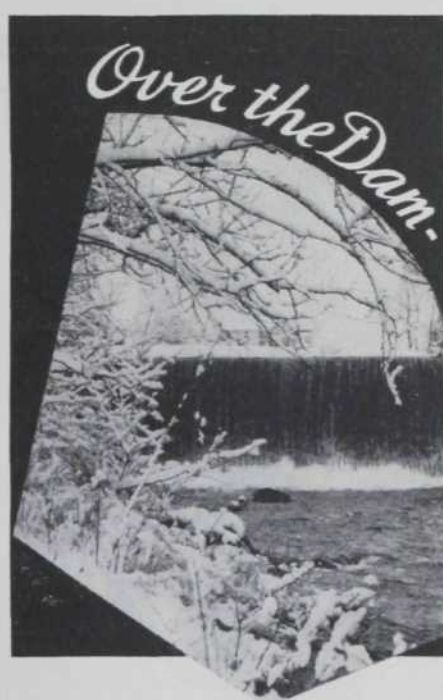
indirect debt totalled \$16,774,262,000, an increase of 115 per cent in five years. Bank investments in government bonds are equal to more than twice the total of capital, surplus, and all other capital funds owned by these banks. The government bond holdings were equivalent in 1938 to 28 cents on every dollar of deposits, compared with 18 cents five years previously, and to 68 cents of every time deposit dollar, against 38 cents five years before.

Still another class of bonds—those issued by the Federal land banks, might also be included. These bonds, while carrying no Treasury guarantee, are the obligations of institutions the preponderance of whose capital is governmental, and whose bonds are held in large part by other government institutions. It may be significant that, in time of trouble, in 1932, the Government rushed to put an ad-

\$24,250,000,000. These two items together represent a rough measure of the "thrif" accumulations of the great mass of people.

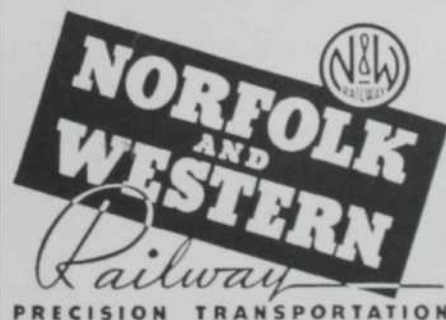
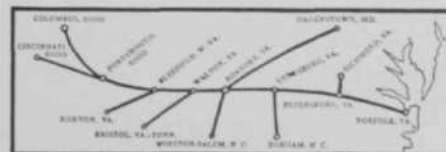
Many important and diverse groups have contributed their share of responsibility for the present state of federal finances. It is not exclusively the responsibility of any one party or arm of the government.

It follows that, if the trend toward greater expenditures is to be arrested, the job is one for all branches of government and for all political parties. The problem may seem difficult but, under a democracy, no one can undertake the responsibility but the people themselves through their elected representatives. The people must interpose the check if one is to be applied. Many have been lulled away from the sense of danger by the failure of disaster to occur so far. No one knows, however, to what extent the multi-



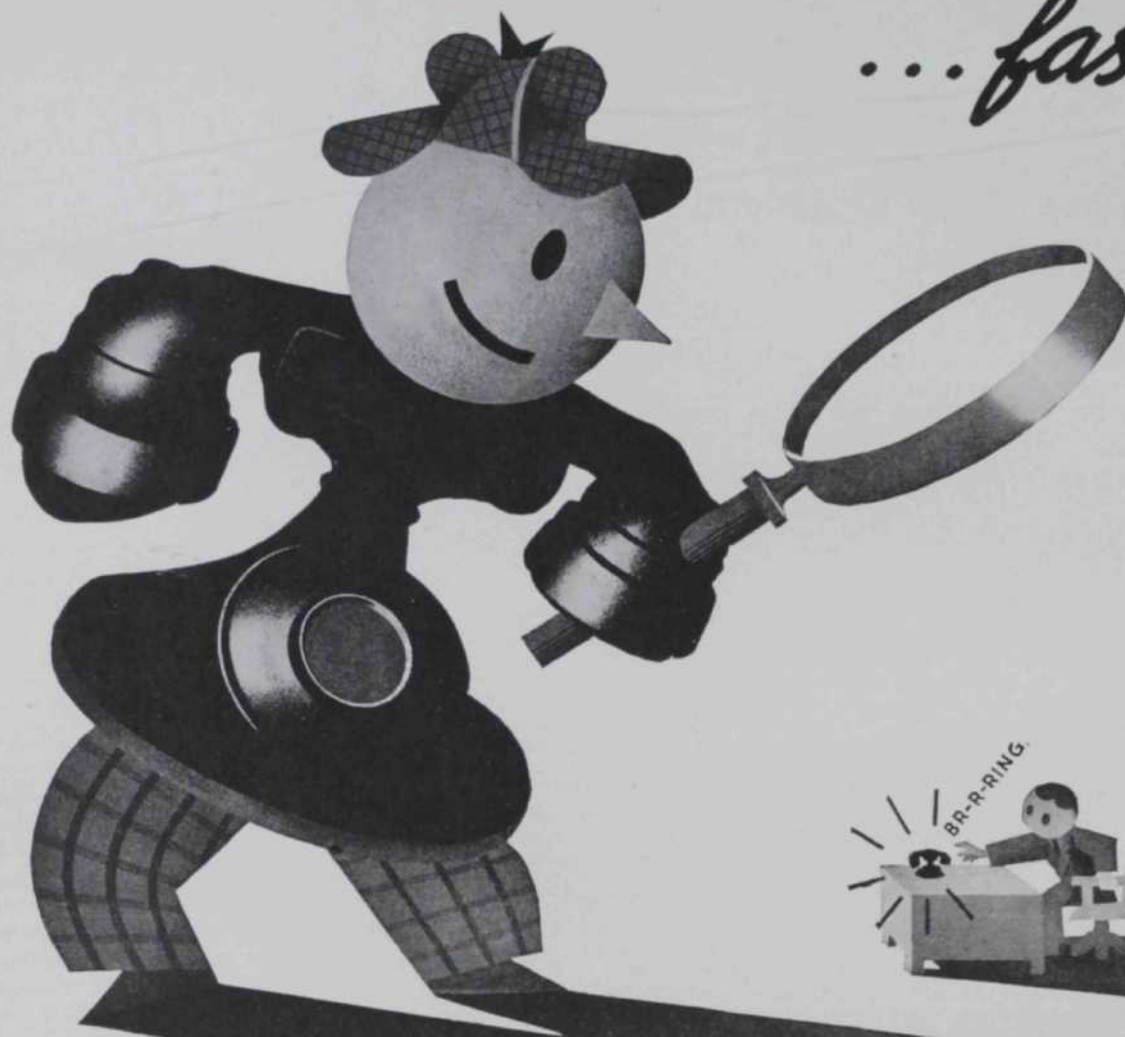
**M**UCH water has gone "over the dam" during the Norfolk and Western Railway's first Century of Service. Progress has been rapid. The past one hundred years have seen in America the greatest era of expansion and development recorded in the history of any country . . . the growth of the world's finest transportation system; the development of fertile farm lands and unsurpassed natural resources; the amazing organization of industry and the building of the institutions of banking, barter and trade. The Norfolk and Western Railway has throughout the century been an essential part, serving faithfully and dependably the territory between the Midwest and the Virginias and Carolinas and between the North and the South.

As the waters of time top the crest of the New Year, the Norfolk and Western looks forward to a new century dedicated to serving the future transportation needs of its friends and patrons everywhere. To that end, and in keeping with the increased pace of modern economic life, the Railway will continue to improve its service and facilities.



# LONG DISTANCE FINDS 'EM

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It is easy to forget the wonder of familiar things like Long Distance telephone service. Every day it saves miles, minutes, money, for all kinds of business. It multiplies man-power. It gets things done. And as the rate table at the right will remind you, it costs little in proportion to the BIG job it does.



## HERE'S HOW LITTLE LONG DISTANCE COSTS:

BETWEEN THESE POINTS	Day Rates (except Sunday)	
	Station-to-Station★	Person-to-Person★
Detroit, Mich. . . Cleveland, Ohio .	\$ .50	\$ .70
Kansas City, Mo. Omaha, Neb. . .	.75	1.05
Philadelphia, Pa. Boston, Mass. . .	1.00	1.35
Milwaukee, Wis. Pittsburgh, Pa. . .	1.50	2.00
Atlanta, Ga. . . Kansas City, Mo.	2.00	2.65
Seattle, Wash. . . Denver, Colo. . .	3.00	4.00
Newark, N. J. . . Fort Worth, Texas	4.00	5.25
Portland, Ore. . . Memphis, Tenn. . .	5.00	6.75
New York, N. Y. San Francisco .	6.50	8.75

★ For 3 minutes. These rates are greatly reduced after 7 every evening and all day Sunday.



farious new financial relationships and mechanisms brought into being in the past several years may have postponed the day of reckoning.

The subject is one which should interest liberals as vitally as taxpayers. If the Government were to strain its credit beyond the breaking point, one necessity might be a terrific burden of taxation drastically curbing the living standards of salaried men and wage earners for years to come. Another alternative might be inflation which would wipe out middle class savings and destroy capital values behind the charitable, medical, and educational foundations which are carrying the torch of human progress. In the end any severe convulsion caused by the cracking of the Gov-

ernment's credit would probably result in such public vindictiveness toward all government as to wipe out for some time the results of years of progressive development of government activities.

It will take a considerable mustering of public sentiment to hold the line against pressure to expand government expenditures further, and something of a herculean effort to swing the tide definitely toward economy.

Despite the hopelessness with which many informed persons view the situation, that effort to mobilize public sentiment should be undertaken promptly or it may be too late. And the Congress which convenes in January, 1939, is the place to start.

## Two Hours and Twelve Minutes a Day

WE ARE RELIEVED of describing the bellringer and the clock emblazoned on the cover this month because a reader has done it in verse. Here's what he thinks of government spending which equals two hours and twelve minutes of every eight hour working day of all of us:

**WORK** for two hours each morning,

Struggle and sweat and groan,

Work for a hard-earned dollar

But know it is not your own.

For, as the deficit deepens

And the rate of tax ascends,

You work through the morning earning

The cash that politics spends.

So work for the fads and fancies,

The surveys and questionnaires,

Political necromancies

That are hampering your affairs,

Work for the office-holders,

Professor and theorist and clerk,

Work to support the scolders

Who are damning you while you work.

Work for the foreign "isms";

For those who are preaching hate;

Work to finance the snooping

Of those who "investigate";

For the bureaus, boards and commissions

That are putting you on the shelf;

Work for the politicians

Before you can feed yourself.

But when, by your hours of working,

The great tax maw is filled,

Then work for the institutions

That the Founders died to build.

Work to throw off the shackles

Now slowing us down to a crawl.

Work, or the day is coming

When the tax will take it all.

## Back to Work— But Broke!



Finding a job doesn't always solve a man's money problems. Joe Smith, let's say, has just got a job in your plant. He's mighty glad to be on a payroll again. During months of job hunting the family's savings had all gone for living expenses. Debts had piled up. As long as Joe had no work creditors were lenient. But now they're all demanding quick payment. Yet if Joe paid all he owes he'd have nothing left of his paycheck for current expenses.

At Household Finance Joe can get a loan to clean up his bills. Monthly payments on his loan will take only about 7% of his income. Thus he will have over 90% left for living costs and savings.

Last year over 700,000 men and women without bank credit borrowed at Household Finance largely on their character and earning ability. Household loans helped them pay medical bills, make repairs, keep insurance in force, pay taxes—meet many money emergencies.

### Interesting booklets free

Household renders another important service to wage earners. Household's educational program in money management and better buymanship shows families how to save on daily necessities—how to get more from limited incomes.

Wouldn't you like to know more about this service which helps answer the money problems faced by many of our employees? The coupon will bring you further information without obligation.

See Household's interesting exhibit "Stretching Your Dollar" at the New York World's Fair.

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Address.....

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*Chas Goodyear*

**T**HIS year marks the One Hundredth Anniversary of the discovery of the vulcanization of rubber. In recognition not alone of Charles Goodyear's contribution to the world, but also of the self-sacrifice, the faith and courage of the man, this tribute is published by an enterprise which, though founded long after his death, has striven under the inspiration of his example, and seeks by serviceability to deserve his name.

THE GOODYEAR TIRE & RUBBER COMPANY, AKRON, OHIO

**H**E walked the streets in downpouring rain in a strange garment of rubberized cloth.

He met the jeers of the world with a faith that neither disaster nor seeming disgrace could conquer.

He laid upon the altar of his work all the dear things of life — health, family, friends, fortune, happiness.

He was cast into prison for debt.

He felt himself "appointed of God."

He discovered the vulcanization of rubber.

His name was Charles Goodyear.

**N**OTWITHSTANDING all the difficulties he encountered, he went on. If there was reproach, he bore it. If poverty, he suffered under it. But he went

on, and people then saw, when his invention was completed, that what they had been treating with ridicule, was sublime; that what they had made the subject of reproach, was the exercise of great inventive genius; that what they had laughed at, the perseverance of a man of talent with great perceptive faculties, with indomitable perseverance and intellect, had brought out as much to their astonishment, as if another sun had risen in the hemisphere above . . .

"I believe that the man who sits at this table, Charles Goodyear, is to go down to posterity in the history of the arts in this country, in that great class of inventors, at the head of which stands Robert Fulton . . . in which class stand the names of Whitney, and of Morris, and in which class will stand 'non post longo intervallo' the humble name of Charles Goodyear."

From the address of DANIEL WEBSTER before the U. S. Circuit Court, District of New Jersey, in 1852.





## For 1939—No Red Herrings

**C**OMES now the New Year with its traditional sound effects. Many high and noble resolutions to turn over a new leaf will be the order of the day.

Our resolve is to continue the thankless rôle of "His Majesty's Loyal Opposition," and, as such, to wish for the nation fewer political red herrings across the trail in 1939.

Nine long years have rolled by and commissions, surveys, investigations continue solemnly and pedantically to take our business mechanism apart for microscopic study of each wheel, bar, escapement. Each part is publicly indicted for its failure to provide jobs, production, security.

These monotonous charges are red herrings to distract the public's attention from the real defendant. Private enterprise has been supplanted these nine years by National Planning and Management. Political management should be in the witness box under cross-examination. It should also be at the bar as defendant.

Political Planning in the driver's seat has distributed the nation's savings—not private enterprise. Politics has allocated billions of formerly free capital to its purposes, and also 20 billions of the credit stored up in pre-planning days. When such learned savants as Lubin and Henderson and Jerome Frank plaintively deplore the lack of capital investment, they should face the real culprit, the political control and operation of 24 federal lending boards.

For ten years politics has "planned" extensively and intensively for agriculture with two billions of dollars and unlimited power. Our investigating commissions would find wheat today at the lowest price in terms of gold in 300 years, world markets disrupted, government granaries bulging, and should, in an honest search for truth, cross-examine the administrators of National Planning in the farm field.

Likewise, since the job of labor relations has been taken from private management and lodged with federal administrators, they, not private enterprise, should be put on the grill. Why, they should be asked, are such relations—once the envy of foreign competitors—today torn and hate-engendered, a class-consciousness hitherto unknown, the one-time production through the joy of breaking records faltering and uncertain?

In sum, those responsible for planning the free markets of grain and securities, housing construction, in producing kilowatts and expansions of the service, supervision of coal, oil, and rails, to mention only a few of the myriad new controls, should bear the burden of proof for failure to make good on promises. To arraign private enterprise again is a herring of deepest red.

Patriotism calls upon statesmen to stand up and answer, to be the first to admit mistakes! What have the sponsors of the new controls to say about the failure of their promises? What have we after nearly ten years of political planning in the business field? Unemployment still in eight figures. Industrial activity at the level of 1917. A "relief" class, to be permanent, confesses Mr. Hopkins. A liberalism, once vigilant against political control over individual lives, now perverted to mask a campaign for greater political power. A class-consciousness of the Old World pattern. Yardsticks discredited. The nation's savings expropriated and dissipated. Youth, admonished by the Youth Administrator "to hold the social and economic gains." What gains? A corroding self-help, a dependence upon the national till, which, in reality, is spending youth's own future earnings. Thrift a mockery. The spectacle of "democracy eating itself up." Millions added to tax pay rolls, living lives of political overseers, enjoying a standard of living to which they were never accustomed. The spectre of inflation or repudiation.

In broad strokes, there is the picture of our experiment of substituting for the old-time American way an adaptation of imported ideas—which glorify political authority at the price of the people's liberty—ideas which assure the growth of authoritarianism while the people languish in the frustration of their wills and energies.

If the forgotten 40,000,000 who have patiently and resourcefully kept at work during these years of daily alarms of new regulations could articulate, they would join in the New Year's resolution, "Yes, we want no red herrings in 1939."

*Merce Thorne*

## BIG BUSINESS—NO. 11



## The Need for New Capital

THE drying up of the flow of new capital into private business is perhaps the most important single reason for the failure of business and employment to expand more rapidly in recent years.

Private business obtains its permanent new capital in two chief ways—by putting part of its own earnings back into the business, and through new investment by the public.

From 1923 through 1929 the new capital flowing into American business from those sources amounted to 31.8 billion dollars—19.6 billions through earnings retained, and 12.2 billions from new securities issued.

But from 1930 through 1936, American business, instead of

gaining new capital, suffered a *shrinkage* of 26 billions. In that period business as a whole paid out in wages, operating expenses, taxes, and other expenditures 29.5 billions more than it took in, and meanwhile obtained only 3.5 billions of new capital through security issues, which was less than 1/3 the previous annual rate.

Labor should have as much interest as businessmen in seeing that the free flow of capital into American industry is renewed. For labor has a bigger stake in the success of industry than has any other group. Labor's share of the income of manufacturing companies from 1929 through 1935 was nearly 8 times as great as the share received by stockholders.

*As bankers for industry, and as trustee for the funds of others,  
it is part of our responsibility to contribute something to a  
better understanding of the facts about private business.*

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# So You'd like to Reduce Your City Budget

By C. A. CROSSER

**A HOW AND WHY manual for the guidance of citizens' committees which believe taxes could be lowered and are willing to try to do something about it**

**T**WELVE GOOD MEN and true gaze blankly at one another. They are members of the tax committee of the local chamber of commerce. One remarks: "Where do we go from here?" The others do not answer.

This scene has happened many times in many cities. At tax budget time, the newspapers report that the school board plans a 20 per cent boost in its budget or the city council asks a \$500,000 tax increase next year.

The chairman of the chamber tax committee sends an urgent call to members to meet and discuss what to do. They show up. But, they don't know how to remedy the situation.

So, this article attempts to suggest some of the tests, yardsticks, procedures, dodges and devices which battle-scarred tax committees in other communities have used to good advantage.

The tax committee should march to battle with certain mental and material equipment. If its members only would resolve to devote to taxes not less than half as much energy as they cheerfully give to community chest, Red Cross or fraternal drives, they would accomplish wonders. Its members who are in retail business should not become frightened when their firemen, policemen or school teacher customers suddenly close out their accounts because of the committee's activity.

In a city with more than 50,000 population it is essential that the committee have the services of a full-time secretary to collect figures and facts. But beware the man who overmuch calls ordinary figures "daytah." He'll give you too much of this and not enough simple, helpful facts. The chamber of commerce directors could assign their secretary to no more profitable



Any large item in the budget marked "Miscellaneous" should be searched thoroughly as it usually shelters all the questionable expenses

project than to work with this tax committee for several weeks.

To enliven this discussion, let us assume that we are sitting with the committee in a typical community. It is now working on the municipal budget although the same tests apply to county and school appropriations. Usually the law allows a week or ten days between the public announcement of the proposed budget and the hearing of possible objections. The committee is working amicably with the city council which has announced that, if anyone can show possible savings in the budget, it will consider them.

The committee first tries to find out how much money is available for public expenditures. This is a novelty in public budget making. Few cities have ever calculated the annual income of citizens. So we have to employ such things as bank debits, retail and wholesale sales, building permits, federal income tax returns, assessed values and other important income factors.

We line up the figures for each of these factors covering the past ten years and note the trend—probably downward. An average 15 or 20 per cent reduction in these factors of community income since 1929 should con-



vince any sensible public official of the folly of increasing public expense except for some urgency like poor relief. We also present a table showing the past ten-year increase in the number of persons on public relief and the cost of supporting them.

Next, the committee should have before it as its basic work sheet a tabulation showing the detailed expenditures of each city department for 1931 or

ferent classes of jobs in each department with the number of individuals in each class and their annual wage, other expense items for office and janitor supplies, contractual services, transportation and the like.

Any large item marked "Miscellaneous" should be searched thoroughly because it usually shelters all the questionable expenses. In good, modern public budgets, expenditures are so well

the city hall janitor staff. The "white collar" increases are the ones to watch, for here is where the faithful politicians are wangled onto the city pay roll.

We find some substantial increases scheduled for the fire and park departments. We recommend that the proposed new fire station be put over for a year or two after our fire insurance friends assure us that the present fire company coverage will do for the present.

We suggest the postponement of a park budget boost in order to offset an increase in the traffic division which needs several more motorcycle policemen.

This latter increase was suggested by the committee itself which sometimes should confirm or even recommend upon its own initiative increases in essential public services. So our committee trains its microscopes, test tubes and machine guns on every item in the budget.

### Comparing cities

A MEMBER of our investigating committee inquires:

How do our city expenditures compare with those of other cities of our size? Such information would help me in deciding whether we are spending too much or too little.

To answer this question, our secretary culls from the latest edition of the U. S. Census Bureau report on the Finances of Cities, the gross and *per capita* receipts and expenditures of about ten municipalities larger and smaller than ours. This report includes figures for all cities of more than 50,000 population. Or, you can write directly for the latest annual reports of sister cities. In some states,

the state auditor compiles municipal statistics.

How do our tax rate and bonded debt compare with those in other cities of our size? We find this information in the annual tabulations made by the Detroit Bureau of Governmental Research which are published annually in the *National Municipal Review* which is in every public library.

After obtaining these figures we resume the scrutiny of our own budget.

Our committee next turns to the matter of salaries. Several members become almost apoplectic at finding a number of proposed salary increases. The wise committee chairman points out that it is just as natural for a city hall clerk to ask for a raise as for one of our own workers. We cannot dismiss it with a flat, "We are against it." We must justify our objections.

Letters to a few sister cities will re-



Even when *per capita* costs are low, it is well to apply certain yardsticks to see if citizens are getting the kind of service their taxes ought to buy

some other pre-depression year; the same figures for each of the past two years; the expenditures proposed for next year and a blank column for the figures which the committee itself believes the city can afford and justifiably spend.

This tabulation is essential. The pre-depression figures give the municipal expenditures in a year when the community income and wealth doubtless were much larger than at present and, in general, they should set a top limit for present department budgets. The actual expenses for the past two years serve as a yardstick to show whether next year's proposed departmental budgets have been boosted.

The committee secretary should be able to find these figures in the city auditor's annual reports. These department budgets should be broken down to show total salaries for the dif-

distributed into specific items that large "Miscellaneous" accounts are virtually unknown. This scrutiny may reveal such budget shortcomings as will impel the committee to recommend the installation of a modern accounting system with detailed, definite account headings.

After this information has been jotted down on a work sheet it should be transcribed on typewritten reports for each member of the committee.

The committee members now study this report. If they represent several fields of business they will be able to recommend an assortment of possible economies. The lawyer will know whether two proposed additional city attorneys are necessary. The building contractor will be able to judge the need for a requested larger building inspection division. The building manager will detect the abnormal size of



veal whether our city salaries are lower or higher than the average.

Are we paying more to our clerks, stenographers, janitors and other city workers than the same job pays in private employment in our town? Information from local employment agencies should settle this point.

We find wide discrepancies in pay to persons having similar duties. A private secretary of one commissioner is receiving \$166.66 a month while another with similar duties in a different department is getting only \$85. This is an actual case in one city. Such disparities signal the need for a salary equalization program. Our committee may recommend that the city council call in the Public Administration Service of Chicago, a non-profit organization, to make this survey.

One of our committee members observes:

I see by this budget that there is one rate of pay for each kind of job no matter how long the employee has worked. That means that a newcomer on a job receives the same salary as the veteran and is being paid the top rate while he or she is learning. That's not right.

So the committee recommends that first and possibly second year employees be paid a salary which is a cer-

tain percentage less than the basic pay for that class of job. This not only will give the newcomer one or two pay boosts to anticipate but should result in a substantial saving for the city because of the steady turn-over in positions every year.

### Problems in personnel

IN this connection we suggest that our city council study the St. Paul salary plan which adjusts salary changes to changes in the cost of living. J. B. Probst, Civil Service Commission secretary of the same city, has devised a system of rating the competency of municipal employees which recognizes merit and points out incompetency.

The personnel problem also raises the question—are our city departments overmanned? We note requests for more building and health inspectors among others. On the theory that citizens in municipalities of about the same population demand about the same quantity and quality of public services, we write to cities of our size asking for the number of employees in the various job classes. This comparison will serve as a rude yardstick to measure our need for more employees.

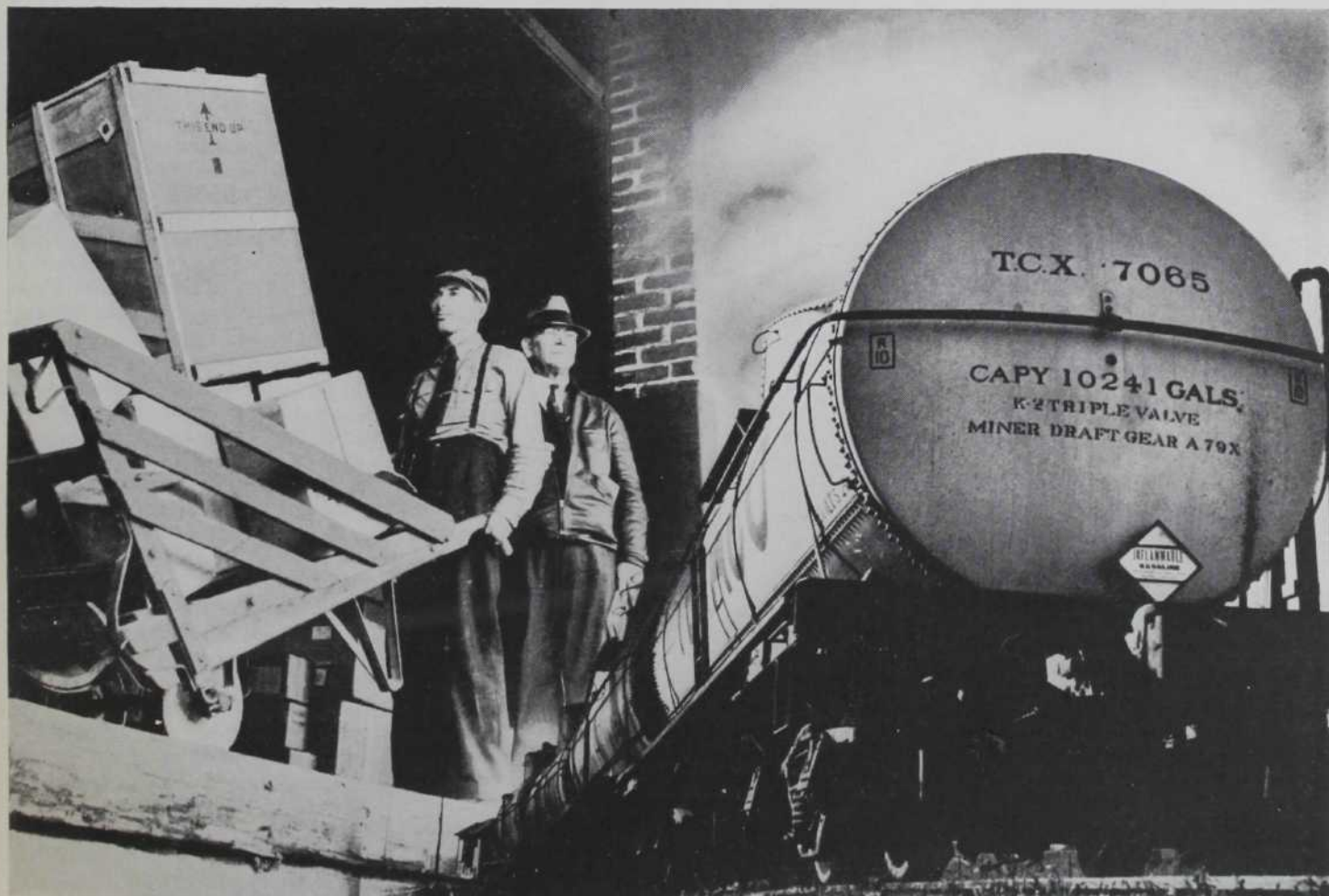
Our committee now turns its attention to our purchasing procedure. We ask:

Do we have a purchasing agent who buys for all our city departments, or does each bureau do its own purchasing?

We are informed that our city has a purchasing agent. What was his previous purchasing experience? None. He came in last spring with the new administration and previously was a radio repair man with political influence. Not so good! This makes us inquire further.

Does our city have a rule that the purchasing agent alone can name the vendor from whom the article requisitioned by a city office is to be purchased? Or, does each bureau specify the name of the firm from which the purchase is to be made? We learn that the purchasing agent continually has to battle departments which try to slip through requisitions naming vendors who are political allies of the bureau head. Do we have a rule that all proposed purchases of \$1,000 or more must be advertised and awarded only after competitive bidding? Do we have a purchasing bulletin board upon which all contemplated purchases are posted

(Continued on page 64)



Does your city buy supplies in quantity lots? Does it have a purchasing agent? What is his experience? Are its purchasing specifications designed to insure high standards or to keep out unwanted bidders?



# Congress Will Check Up on Past

By R. L. VAN BOSKIRK



Opposition to Labor Board's policies will be touched off when Senate is asked to confirm re-appointment of Donald Smith (left)



Permission for voluntary consolidation and a change in the rate structure is what railroads would like to have



Workers are wondering what will happen to the Wagner Labor Act. Will it be amended to protect the exercise of their rights?

THE 76TH CONGRESS which convenes in January may go down in history as the "talkin'est, sittin'ist, most immovable body of legislators" in this generation. Although legislation hamstringing New Deal laws is unlikely, it is not unreasonable to expect this Congress to halt any further leftward march.

Observers who concentrate on business legislation believe there will be sufficient strength to bar the door against experimental regulations that hamper business, but not enough to hold back another spending flood. Also doubtful are any steps to reduce materially the Government's competition with private business, untie the knots in restrictive legislation or ease the pressure on business to accede to certain demands of organized labor.

A test vote on the right or left tendency of legislators should come early in the session. It would not be surprising to see many of those who voted left in the last Congress switching to the right. Watch the "ayes" and "nos" on issues pertaining to the Wagner Labor Relations Act; the Walsh-Healey Act; W.P.A.; the reorganization bill and possibly the revenue bill.

## Judge Congress by its votes

THE vote on these issues will give an insight into the actual temper of Congress and indicate personal leanings of the lawmakers better than such issues as government spending, which is supposed to send dollars trickling down to local constituents; or social security with its strong mass appeal.

Although business will be keenly interested in at least a dozen issues coming before this session, the center ring attraction is scheduled to be the fireworks display around the Wagner Labor Act. Even the spending show and relief agitation may have to take one of the side rings while this argument goes on.

Business feels that, of all the hurts it has received through recent legislation, the Labor Relations Act was most malicious and administered with least regard for employers' rights. Outright repeal is the most common demand by zealous critics of this statute, but few actually expect it. However, organized business groups are practically united in the view that it should be amended:

First, to protect employees in the exercise of their rights of self-organization and collective bargaining.

Second, to give employers the same right as employees to ask action of the Labor Board.

The main pressure will be on these although amendments restraining the Labor Board from favoring one group or form of labor organization and separating the



# Legislation

**NEW Congress is expected to revise some of its most recent restrictions on business and halt march toward alien "isms"**

Board's functions of investigation, prosecution and judicial decision are also likely.

The A. F. of L. has declared that it will seek an amendment compelling the Board to recognize craft unions as appropriate bargaining units for their own membership even though they may not have a majority of workers in a given company. A. F. of L. will also propose that a new tribunal be created to exercise judicial duties of the Act.

With the A. F. of L. and organized business both seeking changes and with many legislators looking for a chance to register their disapproval of extreme New Deal measures (without going entirely off the Democratic or Liberal reservation) important amendments are possible.

The C.I.O. opposes any change whatsoever.

Another phase of the Labor Act dispute will be an effort by the Board's friends to strengthen its power on the basis of recommendations which will come from Senator LaFollette's civil liberties committee report.

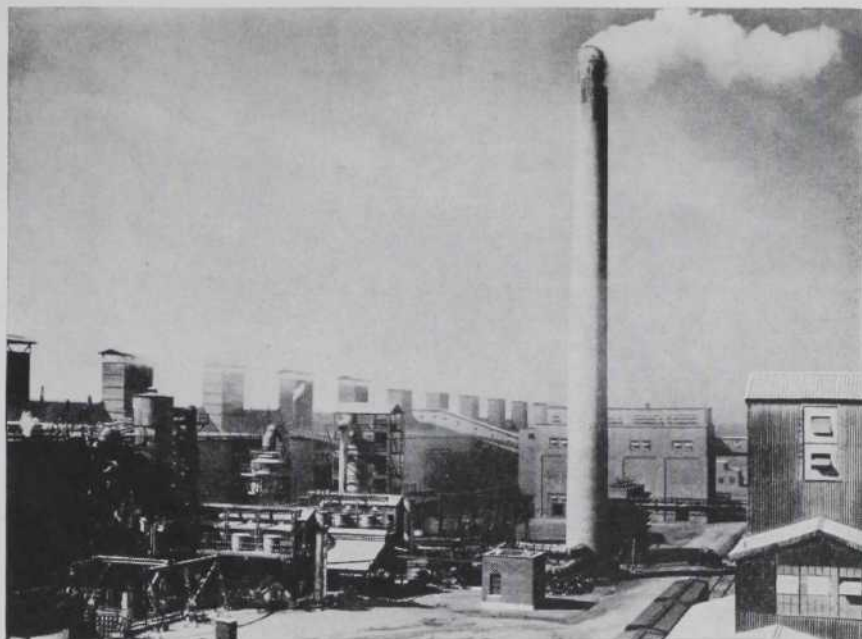
## Revision of labor laws

UNDER the category of labor legislation will come almost certainly attempts by administration forces to amend the Walsh-Healey or Government Contracts Act. They want to reduce the minimum contract affected from \$10,000 to \$2,000 and establish a blacklist of private concerns which will be prohibited from bidding on government contracts. Under terms of this Act the Government is forbidden to buy goods from any concern paying less than the prevailing wage rate as determined by the Labor Department.

In ordinary times business is not so much concerned over this law, but in these days when private contracts are slowed down, government orders help to keep organizations running. Furthermore, the Walsh-Healey Act is considered another big wedge to help Government establish more direct control over labor relations.

It is also well to bear in mind that all branches of organized labor are going to continue their lobby for a six-hour day and 30-hour week.

Any attempt to figure out the amount of spending the new Congress will do is diffi-



HARRIS & EWING

**Nitrate plant at Muscle Shoals. Will T.V.A. investigation bring a law to abolish Commission and appoint a single administrator?**



EWING GALLOWAY

**Some legislators will ask for decrease in pay roll tax of Social Security Act—others want to broaden it and pay more pensions**



**Chief worry among agricultural leaders is cotton. Further crop restriction is frowned upon—increased consumption to be promoted**



cult. It would be pleasant but not realistic to believe the present Congress will cut expenditures by a substantial amount. Appropriations such as the W.P.A. allowance may be cut here and there. But don't let that fool you. The money will be appropriated under another name. Read the article by Lawrence Stafford in this issue for details on possible expenditures.

The little matter of raising money to pay bills will have to be met, but how? Speaking on the outlook for tax legislation, former Under-Secretary of the Treasury Roswell Magill said little improvement was in prospect for the next few years and that a 50 per cent increase in tax revenues would be needed to meet the current level of expenditures.

By and large, Congress does not seem eager to make radical changes in the current Revenue Act, but the report of a recent meeting of the chief government officials concerned with tax matters would indicate that the Administration will attempt to revamp a great part of the present tax laws.

One method advanced is to procure additional taxes in the name of national defense. Five or ten per cent might be tacked on to your income tax for this purpose.

Some of the President's advisers want to continue large spending with a tax plan that will catch up later, but the old school budget balancers want expenditures cut wherever and whenever possible.

### Tax-exempt bonds

THE proposal to abolish tax-exempt securities issued by states and municipalities may meet with greater opposition than is apparent now. Local and state governments fear that the revenue they would get from holders of federal bonds would be less than the increased interest they would have to pay on their borrowings.

The excise taxes, which include the amusement tax and so-called nuisance taxes, are expected to be reenacted without change. The corporate income and undistributed earnings tax expires in 1939 and there may be an attempt to substitute a general flat rate for corporate taxation and elimination of the undistributed earnings tax.

It is a foregone conclusion that vast appropriations will be proposed for national defense. Attempts will be made to channel huge appropriations into defense preparations in addition to outright expenditures for the Army



Battle lines form over nature of radio investigation



Navy's new destroyer is symbol of billion dollar defense program

and Navy. The latter type get into circulation too slowly to suit proponents of spending. The last Congress authorized a \$1,000,000,000 naval building program, but it takes five years to build a \$75,000,000 battleship and construction of other war vessels is proportionately slow. Manufacture of new army equipment can be moved along faster, but there are handicaps in the way.

### National defense

A GOOD sized bundle of cash may be asked to increase production facilities for the 55 "critical" items not manufactured in peace time. Still more money may be wanted to step up production capacity of items now at their peak. For example, it doesn't take too much imagination to realize the stupendous sum needed to increase airplane building from the present rate of about 320 to 1,000 a month which has been mentioned as the immediate goal.

Probably a great many legislators are going to be startled at the variety of requested appropriations for national defense that will come from members of their own body. Ingenious suggestions for the defense of their own districts will be offered as camouflage for getting their hands in the till.

The cleavage on votes for unlimited defense expenditures may take a different course from that in past years. Most leftists formerly opposed heavy rearmament, but recent world events have changed their attitudes and many of them will soon be voting for extreme military appropriations. The legislators who always have favored adequate preparedness are not likely to oppose a new outlay for legitimate military purposes but some of them will vigorously oppose sending defense money down remote byways.

Most business men who are aware of this country's state of preparedness will favor expenditure for adequate defense provided the projects have the approval of army and navy men who have spent their lives studying our needs. In comparison to our \$1,000,000,000 expenditure for defense in 1938 they point to the following amounts spent by other powers in the same year: Russia, \$5,000,000,000; Germany, \$4,400,000,000; Japan, \$1,755,000,000; Britain, \$1,693,000,000; France, \$1,092,000,000.

Included with defense proposals will be talk of neutrality, reciprocal trade agreements, immigration and foreign propaganda.

It is believed that the prevailing sentiment in both parties is to let neutrality laws alone. The present major-

(Continued on page 62)





Fear of the machine is natural. Workers who are less than 30 have lived all their working lives in depression atmosphere

## Destroying the Prosperity Formula

By JOHN H. VAN DEVENTER

**T**HERE is no need to repeat here that the lot of the common man is better in America than in any other country. The number of cars per family, bathtubs, washing machines, radios, central heating plants, which go to make up our better standard of living have become a hackneyed story. Yet we find that industry and the machine which have made this progress possible are being put under more and more pressure from all sides. Industry is being damned as a collective economic royalist and for slowing down our economic progress. The machine is damned for throwing men out of work.

It might be well, therefore, to look into these accusations, identify the real culprit and see how conditions can be remedied.

**WHEN the problem is stripped to the bare essentials, it is easy to put the blame for unemployment and depression where it belongs**

From the beginning of our machine age, American industry has progressed by making constant gains in efficiency by using more power, better machinery, greater output per man-hour, higher wages and lower prices. Every company which has catered to a broad public taste has consciously or unconsciously had to follow that basic formula. It has been the application of this formula which has placed the common man in an enviable position in this country.

What has happened to this formula so that it no longer seems to operate?

Briefly, it is being sabotaged by a number of forces which work in unison, but not in combination.

One force working to negate our former prosperity formula is politics and its hesitant hovering between a philosophy of scarcity and a philosophy of plenty. Part of it is due to the communists' program to wreck capitalism; part to the growth of power of our new and undisciplined labor unions, with their traditional policy of output restriction. Part of it, and a large part, too, is due to the mistakes and shortsightedness of management.

By far the most important factor, however, is the worker depression psychology which has been engendered by the thought of the 9,000,000 unemployed and the fear of joining their ranks. We all have our bogey-



men. The employer's nightmare pictures a Government which is out to do away with profits. The worker's nightmare pictures a machine that is out to deprive him of a job. These bogeymen may sound silly but the important thing is not whether such beliefs are sound but that they exist.

That this fear is a real one and is having a tangible effect on the operation of our economy is evidenced by the phenomenon of the "slow down." In the old days when power machines were introduced men threw wooden shoes into the gears to wreck them because they thought machines were depriving them of jobs. Today the American workman knows better. He knows through his own experience that his enjoyment of conveniences is directly traceable to the machine. Therefore he would not wreck it. However, he is using the "slow down" to get even with it. This "slow down" that is occurring in a number of localities does not apply to old machines so much as to new ones.

Here is how it works:

An inventor or tool designer devises a machine that will produce say 20 per cent more than those in use. The machinery builder sells this ma-

chine to a customer as a cost-saving device. However, when it is installed, the new machine produces exactly as many units a day as the old machine.

Whereupon, telephones ring and frantic calls go out for a demonstrator to show that the maker's guarantee can be met. The demonstrator achieves it easily but, when he goes, production returns to the old level.

### A brake on progress

IT IS evident that this complete sabotage of the efficiency formula removes the incentive of the inventor to invent, of the improver to improve and of the manufacturer to invest in better equipment. Of course, this dooms the worker's hope for a higher standard of living but he does not know it.

This phenomenon is not necessarily attributable to trade union policy, since it exists in plants where there are no unions. If it spreads far enough, it will freeze us into a *status quo*, in fact might even cause a regression so far as economic progress is concerned.

Even where management has guaranteed its workers an annual income,

the fear of the machine seems to remain. The workers are careful not to exceed the output per man per week previously established. Thus, in return for a guaranteed annual wage, the worker promises that there will be no further cost reductions and thus no future price benefits to the consumers. It would seem to me that, if an annual guaranteed wage was worth its salt to the company and to the public, it would bring cost savings which would enlarge the market and result in the employment of more people under similar favorable conditions.

This sabotage of efficiency because of fear of the machine is a natural phenomenon. Please remember that all of our workers 30 years of age or less have lived all their working lives in a depression atmosphere. They have not experienced boom periods, such as we older people have, when a man could find two jobs whenever he lost one old one. Think that over. That is the psychology that management of tomorrow has to face.

But before we consider what management can do to counteract this psychology, let us depart for a moment.

(Continued on page 59)



Efficient machines have increased production, but not so rapidly as bureaucracy has eaten up the gains through higher taxes



# Highway Safety Goes to College

By NEIL M. CLARK



Under the guidance of Lt. Kreml (pointing) students at the traffic school learn to make an arrest

**F**OUR YEARS ago an authority on highway safety said, "In 99 communities out of 100 the police are practically useless at the scene of an accident." Every community, he added, probably had some smart policeman who could reduce accidents if trained and turned loose.

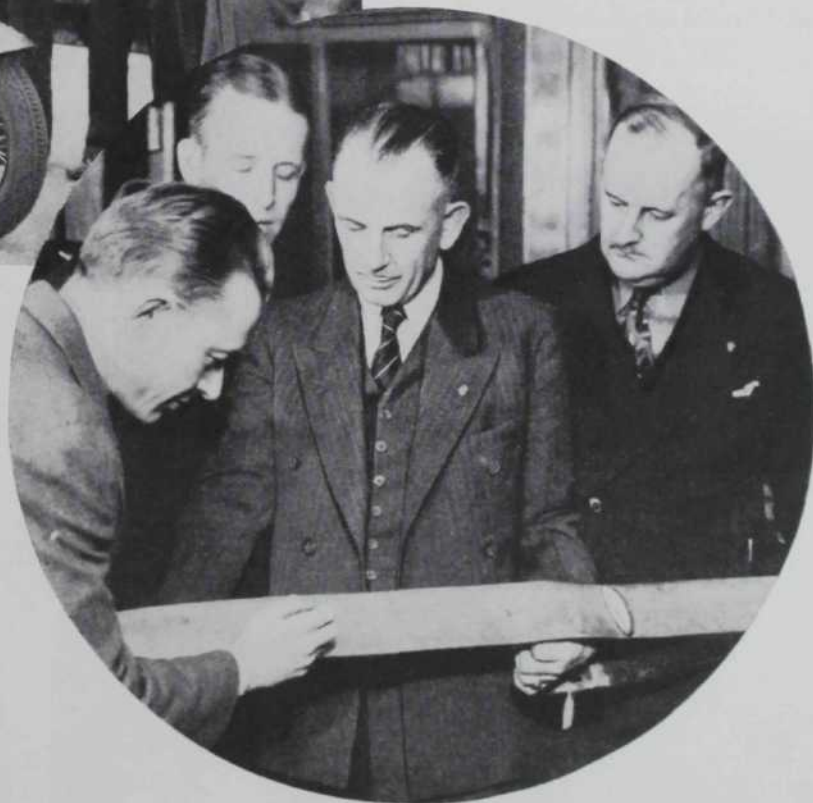
Consider two facts today:

1. About 9,000 of us are alive in the United States as 1939 begins who would have been dead if the highway fatality rate had stayed as high in 1938 as in 1937. 250,000 more escaped crippling accidents. So says the National Safety Council.

2. Within a few weeks the five hundredth policeman will enroll as a student in the Northwestern University Traffic Safety Institute, Evanston, Ill. Several hundred more have had or are getting similar training at universities like Harvard, Alabama, Penn State. Highway safety has begun to go to college in a big way.

There's a close connection between facts 1 and 2.

"I consider," said Paul G. Hoffman recently, "that Kreml of Evanston has the country's No. 1 highway safety story, in dramatic interest." Hoffman, Studebaker president, is the founder and president of the Automotive Safety Foundation, through which the auto-



The broken bumper of an accident car has a story that the trained police investigator can read easily

mobile industry finances and encourages wise steps toward highway safety. And Franklin M. Kreml, more than any other, put highway safety in college.

Kreml is a six-foot, 35-year-old lieutenant of police who learned about accidents from the hurricane deck of a motorbike. He became an Evanston traffic cop a dozen years ago to earn money to stay in law school. He disliked some things he saw, and one day at a children's picnic popped off to a stranger. Drivers who got tickets, he

THE NEW YEAR finds some 9,000 of us alive who would have been dead if traffic accidents had not been reduced. Here is why many of us were spared

said, "called up somebody"—and that ended it. Hit-skip drivers got away with murder. The Evanston Safety Council, which was supposedly doing something, was a lot of baloney.

"Young man," said the stranger, "evidently you don't know that I'm president of the Safety Council."

"Oh, oh!" said Kreml.

Next day Chief William O. Freeman asked Kreml to step into his office. There sat his stranger.

Kreml was not fired. Instead he was



told to organize a bureau and see if he could reduce accidents. What he did is still talked about.

He began by getting intelligible accident records. The records suggested preventives. Whatever was needed, Kreml did. Maybe it was picking different streets to patrol at danger times—selective enforcement; maybe it was seeing that *every* accident was reported, every guilty driver prosecuted; maybe it was applying scientific detection in hit-skip cases. Kreml was backed up. He made Evanston the safest city in the country, traffic-wise.

The news got around. People came to see what he was doing. Many asked him to "come and do the same thing for us." He installed bureaus on the Evanston model in Syracuse, Louisville, Bridgeport.

But he couldn't go everywhere. Police traffic conferences were held in Evanston as early as 1933. But conferences weren't enough. It became clear that a school was needed where highway safety could go to college just like

engineering, law, dentistry. So the Institute came into being in April, 1936. It is strictly a part of the University but the Automotive Safety Foundation provides a large part of the funds as a grant to the University for the Institute. The International Association of Chiefs of Police (IACP) cooperates closely, and there are fellowships financed by two private foundations.

### Studies in highway safety

WHAT happens when highway safety goes to college? What's the training? Who are the teachers and students? Do students really learn anything? Do they apply it?

Let's see.

Three kinds of courses are given. The basic course, so-called, covers "the essentials of a municipal traffic safety program." This course, limited to 50 students, costs \$20 and lasts two crowded weeks. The class day is from 9:00 to 5:00. Instruction includes classroom lectures, discussions, field work. Notes

must be taken, an examination passed.

Observe these officer-students some sunny morning indoors or out and you'll see a mixed group. They range from patrolmen to chiefs. Some have gray hair; the average age is about 30. Since the founding of the Institute, they have come from three-fourths of the states and from most of the major cities and many small ones. Their previous schooling ranges from liquidation in the fifth grade to complete college training.

"One of my students," complained an instructor, "can't do long division; another trips me up on calculus."

They take the training seriously. That's natural, considering its character and the teachers. Kreml, for instance. They all know his story and realize that there isn't much about chasing speeders, arresting fellows who "know the judge," or following dim clues to catch hit-skip drivers, that he hasn't learned first-hand.

When he tells them that accident prevention is a profession they're prepared to agree. When he says that promotion, money and glory are ahead for them if they make good back home they know it can be so because Kreml and others are living proof. Kreml is a forceful speaker, and stresses public speaking for the students because, he says, it gives them confidence with their officials and the public.

The other instructors are also of big police caliber. Capt. Ray Ashworth, for instance, associate director of the Institute, grew up in one of the best police departments in the country, Wichita, Kan. And there are hard-hitting experts from the National Safety Council, the Chicago Police Department's Crime Detection Laboratory, and elsewhere;

(Continued on page 54)



A fair estimate of a car's speed can be made by measuring the length of skid marks on the paving

In the mock court, which is part of the course, officers learn the proper way to present evidence at the trial of traffic cases

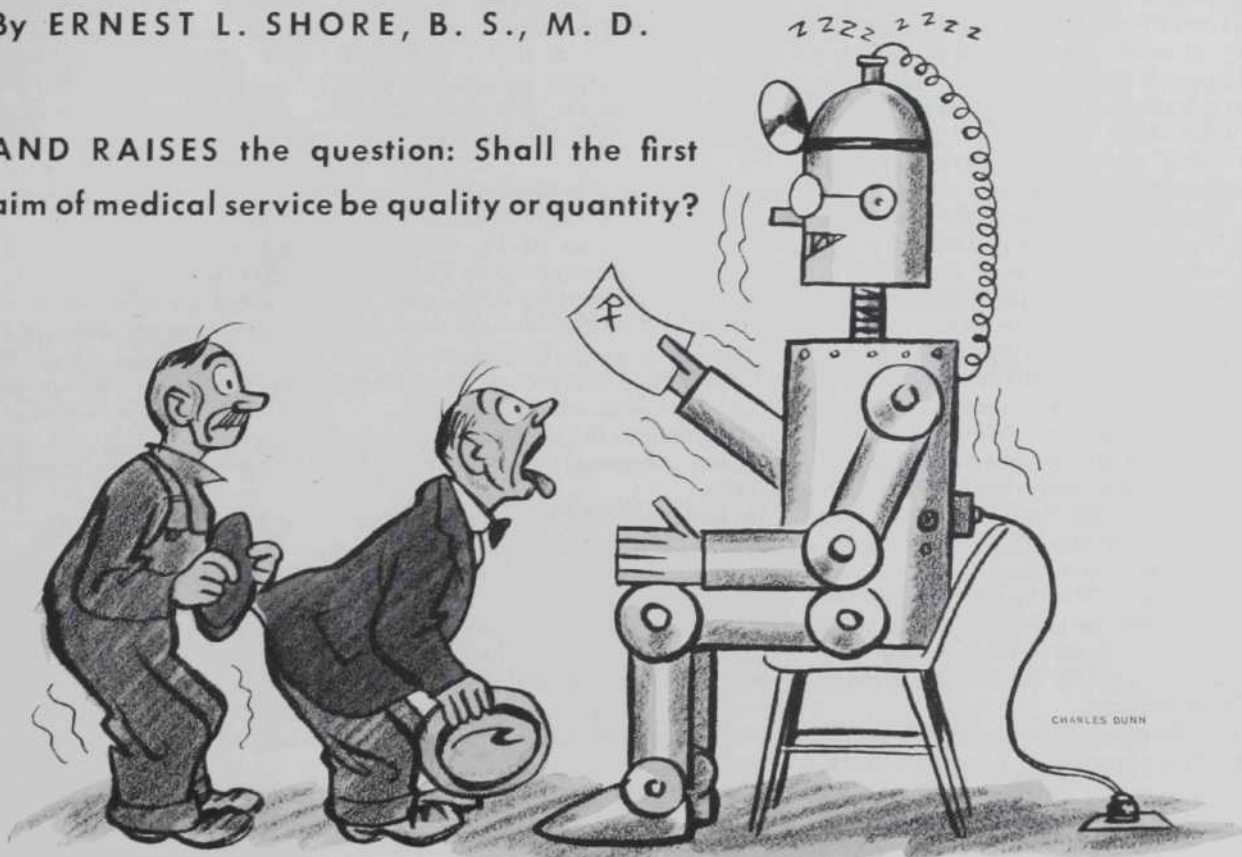




# A Doctor Looks at Socialized Medicine

By ERNEST L. SHORE, B. S., M. D.

AND RAISES the question: Shall the first aim of medical service be quality or quantity?



The patient is dependent on a robot who takes his orders from the Government

**T**HE QUESTION, "How can medical service be assured to all?" is just one of many which those with Utopian aspirations now pose. Proposed answers usually take the form of some cooperative health scheme. All these schemes, I have found, have one invariable feature in common. Those who pay the money assume an extra burden—paying for those who manage and spend the funds. All that they hold out to the paying contributor is the gamble that he will receive more than he pays for. As in most gambling, the odds are against him.

It makes no essential difference if a government bureau manages the assessments. In any case the funds are controlled by people who have not had to earn them. There is a vast difference between spending one's own money and somebody else's. That is why those who want good medical service when they need it keep the mastery of their own dollars. That way they can reject unsatisfactory service. They do not have to pay twice to get adequate service, because "He who controls the purse calls the tune."

There is much to be said for the

collective principle where accidental injury or death is concerned. Here it is obvious and tangible when something has happened. But what constitutes sickness? The difference is that nothing need happen to an individual for him to obtain service. A person becomes "sick" of his job, his environment or his family relationships. He goes to see the doctor who, after much questioning and examination, declares he is not sick. The physician renders service in determining the absence of sickness and should be paid on the basis of each service. This is not true under any form of social medicine.

## Pseudo-illness encouraged

**U**NDER medical relief administration, bureaus often request examination and opinion when no illness is to be found. If the doctor didn't prescribe, he is told no compensation is due him. This encourages doctors to falsify. It is the experience of representative physicians in Germany and Austria, under socialized medicine, that 70 per cent of the persons visiting their offices are not sick. They

say that not more than five per cent of these are conscious malingerers. But the result is that in one seven-year period the use of X-ray increased 20-fold.

This does not represent actual illness, but a desire to get something back for something paid. Hospital admissions in the United States run less than eight per cent of the population. It is a great mistake to expect 92 per cent of our people to pay hospitalization insurance, either into cooperative funds or in taxes for a government bureau, and receive nothing in return. But human nature in this country is not greatly different from that in Europe. Already we can observe the same signs here. Hospital admissions in 1937, under increased relief administration, and with more hospitalization groups, exceeded 1936 by 2,000,000. Many of these people could have remained at home and obtained the same recovery at less cost to society.

It probably would require a generation of social medicine in this country to destroy that sense of personal responsibility for which our people have



been noted and to develop in its stead the greediness, the feeling that assessments create a right to service, which are concomitants of social schemes long in effect in some European countries. Social medicine creates its own illnesses. It makes of the doctor a policeman guarding the treasury against his patient. The patient is trying to make his complaint look big in order to get as much as possible for his—and other people's—money. This breaks down the mutual confidence between doctor and patient which spells efficient service.

Bureaucrats believe that medical service can be standardized as a can of tomatoes or a keg of nails. But it will differ as individuals differ, in all gradations from the failure to the perfect. It follows that those giving the more thorough and lasting service will ask greater rewards than those doing inferior work. But with bureaucratic control, compensations are fixed the same for skillful and unskillful performance. As demands become too great for the treasury to bear, will the fund managers reduce their own salaries? No, the first reductions will be made in payment to the doctors and hospitals. With poorer rewards the quality of medical service will be reduced.

The European doctor under social medicine approaches his day's work

with the sense that he is primarily a clerk in a government bureau. He obtains his stipend whether or not he serves well. He realizes that, in some fashion, he must serve from 40 to 80 patients a day and he is impressed with the futility of it all. In Germany I am told it is not uncommon for a doctor to see 80 patients in one afternoon's office period. Under such circumstances a patient gets "a look and a bottle." Even the moderately sick are shunted off to the hospital.

### Insurance is more costly

DIRECTOR Weber of the Union of Insurance Bureaus of Aix la Chapelle, Germany, reported in 1928 that in Germany, "35,000,000 insured pay four times as much as 30,000,000 not insured. The insured patient uses three times as much medicine."

Officeholders in the medical administrative personnel exceeded doctors in 1935.

In England only those panel doctors in the patient's area are available to him and, once designated, he cannot change for a year. Records of his ailments are public property. He is no longer an individual but one of 50 or more requesting attention. When hospitalization is necessary there is no choice. Only general practitioner service is available. To ob-

tain a specialist requires approval of the supervisor, whose business it is to conserve the funds. The patient is dependent upon a robot who takes his orders from a government-directed insurance cooperative.

The Secretariat of the League of Nations has declared the United States to be the healthiest nation in the world. In the face of this record, social system advocates try to sell the country on procedures rather than results. Their method erroneously presumes that when the *quantity* of medical service is increased the *quality* will remain constant.

For many years it has been accepted that, in a given year, 40 per cent of the people of this country visit no one for their health. From this it is reasoned that from 40 to 50 per cent cannot afford medical service. The truth is they either do not need such service or else do not want it. Conflicting figures in some of recent surveys made at great waste of the taxpayers' money appear to be the result of coloring to suit the socialist objectives of those higher up.

Already we are being carried a long way toward the socialization of health services in America. In addition to the wide variety of county and state institutions; the tax millions that go to subsidize private hospitals in the up-

(Continued on page 66)







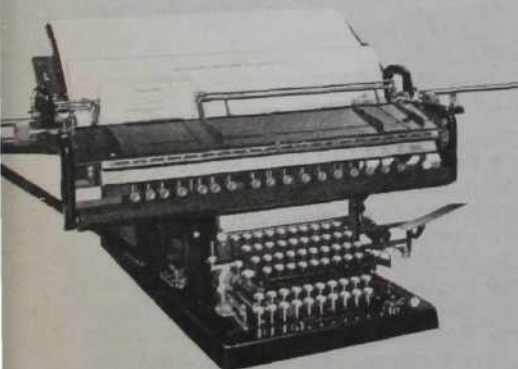
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# Prescribing for Railroad Health

**ROAD OFFICIALS, shippers and investors unite to prepare a transportation program that will meet their common needs**

**S**IXTY men, providers, users of and investors in domestic transportation, have made substantial progress in the past four months in working out a practical legislative program to help the railroads from their present difficulties and place this industry on a stable basis.

The Transportation Conference of 1938, as this group is designated, was called by President Davis of the U. S. Chamber last August with a view to developing for the information of the new Congress and other governmental agencies the views of business men regarding railroad ills and their remedies.

The first meeting was held September 14 and 15 in the Chamber building at Washington. Those two days of discussion showed that, although there are controversial points on which agreement by such a group could hardly be expected, there is common accord that the railroads need help and that helping them will help business. After this preliminary canvass of views, the Conference created a representative Advisory Committee of 17 to arrange a continuing Conference and prepare an agenda.

The Committee did this, choosing for the agenda only subjects on which there was hope of general agreement. At its second session, November 21 and 22, the Conference reached conclusions on questions before it except those relating to railroad rates and federal financial aid to railroads. These have been referred to two special committees selected by the Advisory Committee and a third session of the Conference is to be held shortly to consider the reports of these committees and any other matters deemed by the Advisory Committee appropriate for consideration. The conclusions reached thus far by the Conference are:

## *Consolidations, Coordinations and Abandonments*

To facilitate voluntary consolidations there should be legislation repealing the present requirements as to a comprehensive plan, balanced systems, maintenance of all possible competition and preservation of existing trade channels; and the rail carriers should be permitted, subject to approval of the Interstate



President Davis (left) and Arthur Hill, president of the Atlantic Greyhound Co., discuss railroads. Mr. Hill is chairman of the advisory council

Commerce Commission, to bring about such voluntary consolidations and coordinations as will result in economies, assure adequate service and preserve reasonable competition.

Power of eminent domain should be given over small minority stock interests in consolidations approved by the Interstate Commerce Commission.

## **Changes made easier**

LEGISLATION should be adopted requiring more expeditious disposition of abandonment applications.

### *Financial Reorganization of Railroads*

To facilitate reorganizations there should be legislation to permit a carrier and its stockholders and creditors to obtain approval by the Interstate Commerce Commission of an agreed plan of reorganization which, when so approved, may be made promptly effective against small minority interests by a bankruptcy court, without the appointment of a trustee.

### *Relief from Burdens and Restrictions*

The land-grant statutes should be repealed.

Railroads should be relieved of the expense, in excess of net direct benefits to them, for elimination of railroad grade crossings and for reconstruction of rail-

road bridges in connection with navigation or flood-control projects.

Carriers as well as all other business should be relieved of the undistributed profits tax.

Congress should require the government to dispose of the federal barge lines to private parties.

Restrictive measures such as train-length limit, excess-crew laws, six-hour days, etc., should be avoided.

The Railway Labor Act should be amended:

- (a) To include public members in odd numbers on Adjustment Boards so as to insure disposition of each case in the first instance.
- (b) To authorize federal court review of Adjustment Board decisions at the instance of the railroads as now allowed employees.
- (c) To place a limit upon the time within which claims can be presented.

With respect to these conclusions, the Chamber's membership has declared substantially in favor of the first under consolidations, those relating to land-grant statutes, the undistributed profits tax, the Federal Barge Lines and restrictive railroad measures, and that part of the second declaration in this group relative to elimination of grade crossings. The other matters embodied in the conclusions have not been before the Chamber's membership.



*"Follow those  
Dollars!"*



SUPPOSE a city editor gave his star reporter this assignment:

"Follow those dollars!

They're going to the Metropolitan Life Insurance Company in payment of premiums. There they will mingle with other dollars received by the company as income from its investments. Find out what happens to those dollars...what they go for...and *why!*" ... Here's what that reporter would find:

**Payments to policyholders and beneficiaries.** Part of each dollar helps to meet death claims that become payable during the year. But... the total amount of death claims in any one year is by no means entirely paid from dollars received during that year. A part of all death claims, and all matured endowments, and all cash paid upon surrender of policies, comes from "reserves."

In fact, about 70% of all payments made by Metropolitan to its policyholders and their beneficiaries during 1937 came from dollars received in earlier years and accumulated in the company's reserve funds.

**Reserves.** Just as part of all payments to policyholders comes from reserves, so part of each dollar received goes into reserves to meet future payments.

To make sure that all life insurance policies will be paid when they become due, sound company practice and the law require that a reserve fund be maintained.

A legal reserve life insurance company also carries a special contingency reserve or surplus fund... an additional guarantee that claims will be paid even in times of emergency, such as great epidemics or economic distress.

These funds—which eventually go back to policyholders—are invested at the best rate of interest that can be earned with safety.

**Expenses and Taxes.** Part of each dollar is spent for taxes and for running the company.

There is the compensation of the men and women who work in the Home Office and in the Field. There is the cost of carrying on the public welfare activities of the company, which tend to help people live longer.

And there is the expense required for careful supervision and wise investment of the money held by the company... for each and every insurance policy must be safe, come what may.

**"Dividends."** What is a life insurance dividend? In a mutual company such as Metropolitan, it is this:

After the premiums and interest from

investments have been credited... after payments to policyholders and beneficiaries and expenses have been met... after the reserves and margin of safety have been provided for... and the company finds that the money received exceeds the money that was actually needed, this difference is returned to the policyholders as dividends.

This is what happens to Metropolitan Life insurance dollars. No part of them is spent for any purpose... any activity... that is not in the interest of and for the benefit of the company's policyholders.

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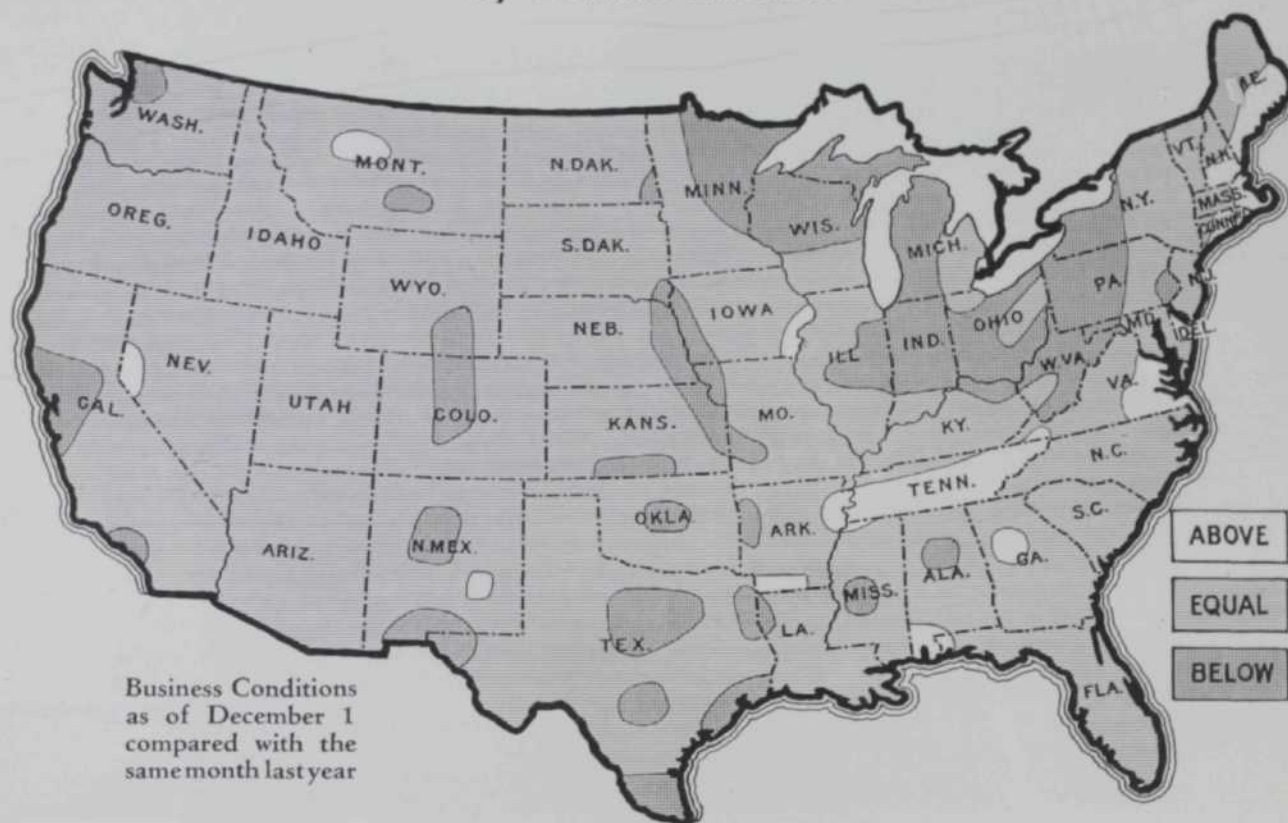
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# The Map of the Nation's Business

By FRANK GREENE

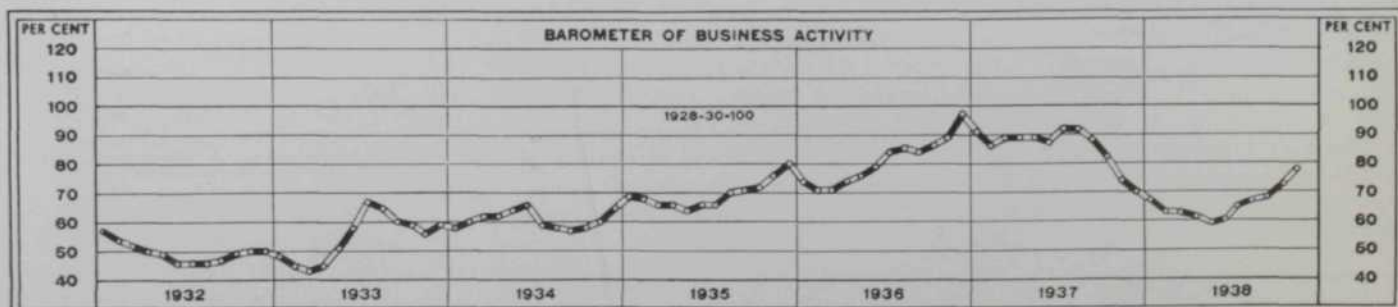
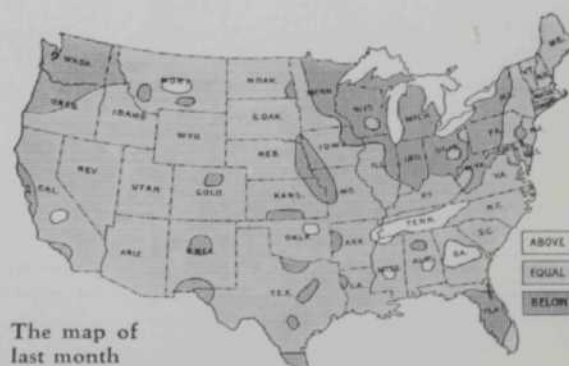


NOVEMBER developments reflected industrial gains and expanding pay rolls, led by automobile manufacture at continued high volume, coupled with sustained dealer demand. Steel production reached a mid-month peak of 62.7 per cent of capacity, tapering off seasonally thereafter. For the first time this year electric output exceeded that of a year ago and carloadings rose above 1937 at the month end.

Foreign political and financial unrest was reflected in part in weakness in commodities, particularly foreign copper, wheat and textiles. Security markets declined. Engineering awards were 31 per cent above the previous year, again reflecting Government projects.

Belated improvement in retail sales appeared with cooler weather, while Christmas merchandise stimulated wholesaling. Business failures were 17 per cent above last year, a slight improvement compared with recent months. Bank clearings for the month were one per cent less than a year ago, while bank debits fell seven per cent.

Continued expansion of industry and trade brightens the map except in southern farm and oil regions



In contrast with the sharp down trend at this time last year, business activity in November continued upward, lifting the current level above the comparative 1937 period for the first time this year



# SWIFT & COMPANY: nation-wide users of COMPTOMETERS



MODEL J COMPTOMETER

**B**ACK in 1907, the growing meat-packing firm of Swift & Company purchased its first Comptometer. Today, more than a thousand Comptometers handle the bulk of Swift & Company's voluminous figure work—not only at the general offices in Chicago, but at their 50 packing plants, more than 250 branches, and at dozens of dairy and poultry plants, refineries, oil mills and fertilizer plants scattered from coast to coast.

*In many of these Swift & Company "outposts," a single Comptometer handles ALL the figure work involved. The amazing flexibility and adaptability of this machine make it ideal where one unit must meet all types of figure problems.*

In the larger Swift & Company establishments, both Model J and Electrical Model K Comptometers are applied to such work as billing, payroll, costs, general accounting and statistics.

For a revealing demonstration of "Comptometer economy" in regard to your own problems, telephone your local Comptometer representative. Or write direct to Felt & Tarrant Mfg. Co., 1712 N. Paulina St., Chicago, Ill.



*Porterhouse steak—on the hoof. Ability to select fine beef-steers is the talent of this Swift & Company cattle buyer. Riding from pen to pen, he is always conscious of high Swift & Company standards. Here he bargains for a plump Hereford, destined for a sizzling platter.*



*The daily payroll of 4000 Swift & Company employees working on "standards" is figured by these operators. Each day's payroll must be ready for posting by noon of next day, and the work involves addition, multiplication, division and subtraction. Swift & Company has found Comptometers to be the most economical machine for this job.*

# COMPTOMETER

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# FIRE



## Enemy of Your Business!

TO YOU who operate a business, fire is a constant menace—a threat to your profits—a threat to your future as well. Insurance will protect the value of your property but it can never repay you for the loss of time, records, sales and those intangibles that make a going concern.

**THE SUREST PROTECTION** against this lurking danger is an alert watchman properly checked by a watchman's supervisory system.

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# DETEX

**WATCHMEN'S CLOCKS**  
NEWMAN \* ECO \* ALERT \* PATROL

## The Wage and Hour Law at Work

By WILLFORD I. KING

**F**ORCED dismissal of messenger boys by the telegraph companies calls attention to the fact that the wage and hour law is now in operation. This measure goes so far in its effort to aid the poorly paid members of the working class that it has abrogated freedom of contract, one of the cornerstones of our free competitive system.

Is this tremendous sacrifice likely to be justified by the benefits accruing to the laboring class?

Elmer F. Andrews, administrator of the new law, reports that it has thrown out of employment only 30,000 workers, largely in the nut-shelling industry, and that some of these workers were receiving only five cents an hour.

The inference is, of course, that this fact justifies their loss of employment, though exactly how or why is not made clear.

The fact that some of these persons were willing to work for five cents an hour seems to indicate that they were so poor that five cents was of real importance to them. To some this idea of attaching great importance to a nickel may seem a queer quirk. However, a study of the recent report of the National Resources Committee shows that, in 1935, more than 4,000,000 families, of two or more persons each, received an annual income of less than \$500 a year. In fact, families in this low-income group constituted one-seventh of the total number of families in the United States. It is safe to say that most of the members of these families have found it necessary to count their nickels carefully.

### Small wages help some people

THE worker earning five cents an hour for 48 hours a week receives \$2.40 a week or \$120 for a year of 50 weeks. This constitutes at least a fourth of the income of the typical family in the class having incomes under \$500, and a fourth is not a negligible fraction.

It must be remembered also that the new law forbids employment at any rate below 25 cents an hour. Presumably most of the 30,000 workers displaced earned much more than five cents an hour. The average would probably be nearer 15 cents an hour, and such a wage might well constitute three-fourths of the entire in-

come of a family falling in the "under \$500" class.

It follows that, in a large proportion of the 30,000 cases, the displacement of the worker has not merely put the family on short rations; it has transformed a self-supporting and self-respecting family into paupers forced to fall back upon the public for subsistence. Is this the solution of the problem of poverty?

### A distorted picture

THE probabilities are that the sponsors of the new wage and hour law had in their minds a much distorted picture of the actual situation. They felt that the low-paid workers were being "exploited" by greedy, grasping employers, and that the law would force these employers to pay "fair" wages. Evidently, in the case of these 30,000 no employer has been found who can afford to pay 25 cents an hour for shelling nuts and similar tasks requiring little skill. Since families on relief are numerous, the amounts allowed such families by the relief authorities are often insufficient to provide food enough to prevent the development of pellagra and other diseases due to dietary deficiencies.

Under such circumstances, is it likely that the 30,000 will appreciate the benefits conferred upon them by the wage and hour law?

Defenders of the law will probably contend that most of the 30,000 will promptly find employment in industries paying more than 25 cents an hour. If those displaced are capable of earning 25 cents an hour, why have they been working for less? The obvious answer is that they have been working for the highest wage rates obtainable. They represent in skill, efficiency, and dependability the marginal classes, and such workers are rarely in strong demand anywhere. No employer can afford to pay them high wages.

The apologist for the wage and hour law may grant all this, but contend that the injuries suffered by the 30,000 are trifling as compared to the benefits conferred upon a much larger number of workers who have been retained and whose wages have been raised.

In this contention, there is some truth. Those obtaining increases in  
(Continued on page 60)



## Business Men Say . . .

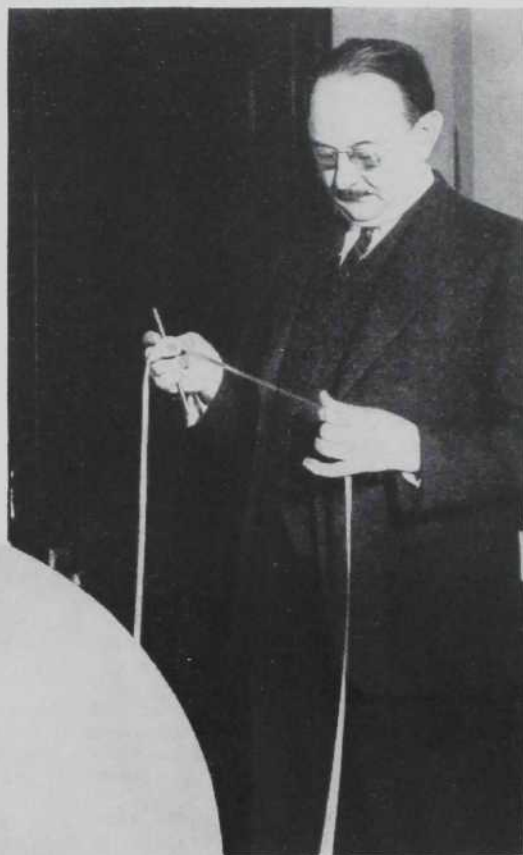


VINCENT P. BRADLEY of the W. M. Dickinson Co., Trenton, N. J. Sales Counsellor, National Association of Real Estate Boards

"Never before in the history of this nation have people been more buying-minded, renting-and-leasing-minded, renovation-minded, expansion-minded. No matter where you come from there has never been a time when vacancy ratios were lower in residential homes, 100 per cent business areas, popular neighborhood business districts, certain type apartment houses, unobsolete factories. . . . You and I groan about business not being good as we pass through our 100 per cent areas where there is hardly a vacant space. . . . If you took just the time you waste consuming a couple of hours for lunch or dashing away from your offices at four o'clock and devoted it to obtaining this business, you would get many more leads and a huge increase in business."

OSCAR JOHNSTON, Chairman, National Cotton Council

"There is only one sound economic solution to our problem and that is an increase in the consumption of cotton. Even if we were able to devise an absolutely equitable farm bill it would not solve the cotton problem. It is certainly not the desire of the cotton farmer to continue with drastically reduced cotton acreage and a dependence on governmental subsidies. . . . The remedy, which we believe should be applied to the cotton problem from the consumption angle, can only be successfully applied through efforts of the industry as a whole."



HARRIS & EWING



TECHNI-PHOTO STUDIO

JOSEPH E. POGUE, Vice President Chase National Bank, New York City

"The rapid growth of natural gas consumption is suggestive of an industry still in a vigorous and youthful state of expansion. The vitality of the natural gas business is remarkable even in comparison with the rapidly growing automobile and steel industries. The expansion is exemplified by the rise in volume to a 1937 level 24 per cent in excess of that reached in 1929. . . . The great resource industries are wealth-creating activities, for they bring to the service of mankind in usable form the products of nature which are worthless if not vitalized into action by aggregates of technology, capital and man-power."



SHANNON CRANDALL, President, California Hardware Company and Retiring President, National Wholesale Hardware Association

"During 50 years' experience I have witnessed many changes in men, in merchandise and in methods. I have noted many experiments, alleged short-cuts in our distribution system—panaceas which would solve all of our troubles. . . . The only way to conduct our business successfully is hard work, persistency, and a reasonable exercise of our abilities and mentality. . . . We must not fall into the error of laying all of our misfortunes and short-comings on the other fellow—we must help ourselves and, irrespective of the actions of others, correct our own misdeeds first. Then we can, with better grace, ask our neighbor to do likewise."



# No Business Can Escape Change

However taxes may slow it down,  
business cannot stop, for it provides  
the peoples' livelihood

1 • SMALL three-pronged clothes pins made of a plastic hold light garments firmly yet without harm to delicate fabrics. Lock pins to fasten the ends of the line offer a convenience for travel.

2 • A NEW button for milady's lounging pajamas, bathing jacket, or coat, has a screw cap and a recess for carrying solid perfume, lip rouge, and other cosmetics.

3 • A NEWLY developed sweeping compound with a base of cottonseed hulls instead of sawdust is said to be highly efficient in retaining dust, is light enough to sweep easily.

4 • A NEW cleaning material is reported to counteract odors without creating another. It can also be used to counteract odors as they develop as in a kitchen.

5 • A SHIN guard for workers subject to shin hazards is made of fiber formed to the contour of the leg. It can be worn with comfort either inside or outside the clothing. It has horizontal ribs for strength, sponge rubber for padding.

6 • A NEW type of three-power glass for sports or opera gives a rectangular view which is wide rather than high. It weighs six ounces, is only 2 1/4" when closed, can be carried in a vest pocket.

7 • AN INSECTICIDE for roaches, ants, and similar vermin is said to be non-poisonous to humans or pets, yet to destroy the vermin and their larvae without any deteriorating odors.

8 • A PORTFOLIO for salesmen has provision for mounting sales photos for advantageous presentation in the front cover of a zipper enclosed ring binder.

9 • FOR AMATEUR photographers there is now a solution that makes possible developing and fixing simultaneously with the same non-staining solution. It is said to give fine grain results as well as a saving in time and trouble.

10 • AN AUTOMATIC safety control for motor-operated doors utilizes a pneumatic strip on the bottom. If this touches any obstruction while descending, the motor is instantly reversed.

11 • A PRODUCT made of thin laminations of wood impregnated with phenolic resins and vulcanized into a hard sheet is offered for various mechanical and electrical uses. It has lightness and strength, is highly resistant to moisture. It can be machined for small parts. It has low co-efficient of thermal expansion.

12 • A PLATFORM on a telescoping frame for servicing high-ceilinged buildings is motor-driven. One model rises jack-in-the-box style from 8' 9" to 46' 0". It is light enough to be moved manually.

13 • A NEW mercury fume detector is almost instantaneous, detects as little as one part fume in a billion parts air, operates on an optical principle. It can be installed with indicating meter or recording meter and an alarm relay circuit.

14 • EMBODYING the principle of the windshield wiper, a new compact is made to clean the mirror every time it is opened.

15 • FOR home canning there is a new style vacuum top giving a tight seal yet easily applied and removed. Containers may be stacked since the top is flat.

16 • CELLULOSE film is used for a new sanitary cover for infants' nursing bottles. Small squares held on by a special flexible collar do not impart or absorb odors and are not injured by moisture or extremes of temperature.

17 • AN ELECTRIC range of new small size is only 19 1/2 inches wide yet has a completely insulated oven regulated by thermostat, a self-starting oven timer, a broiler compartment and three surface units.

18 • AN ALL wood typewriter table can be assembled or knocked down in 15 seconds. The top provides a case for carrying and, knocked down, it is only 2x30x16 inches.



24 • FOR GOLDFISH, there is a new waterproof transparent bag. The customer can see her pets and at the same time carry them more conveniently.

19 • FOR SHOOTERS—rifle, pistol, trapshooting—there are now goggles with an antiglare optical glass. The lenses come within an eighth inch of each other and a special perspiration bar keeps them the right distance from the forehead. They provide full protection at various shooting angles.

20 • A NEW type nozzle for general use on fire hose lines permits the use of water on almost all classes of fire including oil and electrical. The nozzle emits a discontinuous stream and the adjustment may not be changed to form either a solid stream or a spray.

21 • BLUE STAIN or sap stain is said to be banished from lumber by the use of a new disinfectant chemical. It is a specific for the fungi causing this stain and is used in a carrier which makes it effective even under adverse conditions.

22 • COLD LIGHT at the point of use is available in a number of new instruments for surgeons and dentists. They offer better illumination and greater comfort for the patients. A methacrylate resin is used to "pipe" the light, around curves if need be, to the point of use.

23 • A NOVEL device for power screw drivers consists of a magazine attached to the driver, a feeder which also holds the screw in place while it is being driven, and a limit control which prevents driving the screw too far.

—WILLARD L. HAMMER

EDITOR'S NOTE—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.



# ON LAND OR SEA

there is no substitute for dependability

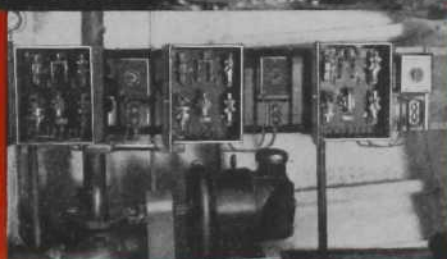
CUTLER-HAMMER Motor Control has served the sea since the day the first electrically driven auxiliary went aboard ship. Through these many years its performance in this difficult service—where dependability under all conditions is of first importance—has paid great tribute to the advanced engineering which created it. And yet, this is but one of many fields in which Cutler-Hammer has pioneered . . . but one of many fields in which Cutler-Hammer's experience has been gained to make all Cutler-Hammer Motor Control better, more reliable, a safer investment. Any use of electric power . . . on land or sea . . . merits the protection of genuine Cutler-Hammer Motor Control. CUTLER-HAMMER, Inc., Pioneer Electrical Manufacturers, 1251 St. Paul Avenue, Milwaukee, Wisconsin.



Cutler-Hammer Control on 20-hp. 230-volt motor operating mooring winch.



Cutler-Hammer Starter for Engine Room Bilge Pump.



Cutler-Hammer Variable Speed Pump Controllers for Fresh Water Supply.



Cutler-Hammer Control on Anchor Windlass Motor Driven Equipment.



# Washington and Your Business

## Showdown Coming

A FAIRER day may be dawning for the harassed railroads. That statement is made with qualifications, because no one can possibly say what Congress and the I.C.C. may do in the future. But the tragic incidents of the past few months have compelled a study of railroad handicaps and an admission that they must be retained in health.

If they go on as they have been going on the Government would be forced to take them over. No one wants that. Least of all, any person of responsibility in the Government.

The speaker is a member of the I.C.C. He will not be identified further, although it may be said that he is rated as one of the leaders in that body. He appears here anonymously, not by his own desire but because a direct quotation might be accepted as the statement of an individual whereas the expression is in fact a summary of majority opinion on the I.C.C. The speaker would not assume to speak for his colleagues, of course, and if he seemed to be doing so they might properly resent it.

## Waterways and Truck Troubles

HE thinks that the subsidized competition of the waterways and more specifically of the Inland Waterway Corporation, should be ended by Congress.

Enormous quantities of freight are being hauled on the waterways at a rate the roads cannot meet. If this rate were based on the cost of hauling, the roads would have no complaint. But when the general taxpayer is called on to meet the cost of competition the effect of which is to weaken the roads on which the prosperity of this country so largely depends the situation becomes one of murderous nonsense.

## Facts Must be Frankly Faced

THE report on highways which the I.C.C. will present to Congress in February will show that truck competition is inescapable.

I do not believe that report will show that truck competition is subsidized in the sense that the waterway freight-hauling has been. It will declare that the users of the roads—using all kinds of automobiles—pay in taxes 70 per cent of the cost of building and maintenance. The remaining 30 per cent is borne by the general public. I think this is fair, but the matter must be considered by Congress with a view to alleviating the distress of the railroads, if possible.

## Streamlining Ideas Now

THERE was a period, he said, during which the railroads did not keep up with the procession. This fact may be charged to many causes.

Nowadays they have shown a truly streamlined speed. Faster and more frequent and more luxurious trains, store-door delivery, cheaper and better meals are among the improvements.

They must get rid of many of their money-losing short lines. They want to do so. Unfortunately the residents along these lines oppose this in many cases. They do not realize that, by their insistence, they are injuring the roads which mean so much to them.

Labor, he said, must face the facts frankly. Labor leaders must eventually accept rates of pay based on the work done and not on the needs of the workers. This is unfortunate. The roads have always paid good wages. But if they do not get profit-making business they cannot continue to do so.

## Eggs O. K., But Goose Is Dead

ONE little branch road in the Carolinas, he said, does an annual gross of about \$200,000 and prospers. Its 30 employees turn their hands to anything. The two engineers will wash windows if they have nothing else to do. Their jobs are safe. In one of the northern states a branch line will soon get the *nunc dimittis*. Its little train carries more crew than passengers. The trainmen have eaten up the branch line.

## Cheering Note for Sad Folks

W. M. JEFFERS, president of the Union Pacific, tried to sympathize with the farmer.

"I'm doin' all right," said the farmer. He looked Mr. Jeffers over: "We'd all do better," said he, "if you guys would take off your wrist watches and buy alarm clocks." "I haven't worn my wrist watch since," said Jeffers.

## Little Candle Throws a Beam

IN one of his courteously acid dissents Commissioner Mahaffie of the I.C.C. observed that:

"It is bad and dangerous policy for a Commission, such as this, to undertake to regulate matters of social welfare without clear statutory authority."

He did not get anywhere with that. The I.C.C. went on and regulated.

"It would seem equally sound, as a matter of law, to exact from the applicant an agreement to contribute \$100,000 to some worthy charity."

## Everybody is Doing It Now

THE American Bar Association has a list of about 50 independent agencies of the Government, each of whom is, in the Report of the President's Committee on Administrative

Management:

"A miniature government."

About 75,000 lawyers have been licensed to practice in these little principalities in Washington. Some are dead and others have moved on. It is fairly certain that Congress will look into the situation.

## Some of Them are Uppity

SOME of the little princes swell pretty big. A contractor doing business with one of the departments—names not given because the departments are all alike—was told to

move the earth for a levee from A to F instead of from A to B. Then the department would not pay him the face of his original contract:

"Get along to court if you don't like it."

The contractor won his case in court. But if one of the little princes had not been so rugged he need not have gone to court, and would have been saved \$16,000.

## Arnold's New "Consent" Plan

ANOTHER thing that will be heard from this winter will be the new plan of ruling through consent decrees that Assistant Attorney General Thurman Arnold has devised.

He says the antitrust division "will encourage" advertising campaigns that meet with the approval of the De-



# DON'T LET *Copying* TIE UP *your* PAYROLL WORK



**M**ANY concerns that have adopted up-to-date payroll accounting methods find that the *copying* work still drags.

They find that the biggest part of payroll recording is copying the fixed information relating to each employee. Tapping out this information, one character at a time, on every payroll form delays the work, invites errors and requires checking with original records.

In thousands of offices, these slow methods have given way to Addressograph—the most efficient method of handling record copying jobs. Employee's name and address, social security number, clock number, vocation, pay rate and fixed deductions—any or all of these items are copied on payroll forms. There is no need for checking. Time and money are saved.

Let the Addressograph man explain in detail how Addressograph Methods can handle a lion's share of your payroll work. Look for Addressograph Sales Agency in principal city phone books. If you prefer, write to the address below for information and literature.

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***Addressograph*** TRADE MARK REG. U. S. PAT. OFF. TAKES DELAY AND ERROR  
OUT OF PAYROLL RECORD COPYING



partment of Justice. There are men on The Hill who think that would be funnier if it were not so dangerous:

"The business of the Department of Justice is to enforce the laws. When it undertakes to enforce the ideas of one of its officials, which are not a part of the law, something has gone seriously wrong."

It is agreed that Arnold can enforce his ideas, however, through his use of "consent" decrees. Not many business men have enough money to resist the Government in court. Turn back to Mahaffie's dissent.

### This is Bad News for Everybody

IMPRESSION gained from listening to Roswell Magill, economist, Columbia professor, former under-secretary of the Treasury:

"Taxes are going up this winter.

Income tax base should be broadened and probably will not be. Tax-exempt bonds will be forbidden for the future. Doubtful if present tax-exempts could be reached by legislation. Tax-exemption of salaries of federal, state and municipal employees may be ended. Need for greater tax revenue is acute. Effort will be made to write a law in a spirit of friendship for business. But Congress must get the money."

### "A Little Bad, A Little Wild"

ONE senator who usually knows what is on the fire said:

"Those who think the 76th Congress will be tame and conservative will be disappointed. It will be fairly

mild in its treatment of topics it has had an opportunity to study, such as the reorganization bill and the Seven T.V.A.'s, but as a body it will be rated as liberal. There will be no organized coalition."

He very warmly does not believe there will be either "incentive" or "punitive" taxation on business. "Both mean the same thing—an effort to do something by means of taxation in addition to paying the running costs of the Government."

### No Bird Could Be More Free

FORMER Comptroller General McCarl picked up the hot end when he asserted the right of the General Accounting Office to audit the T.V.A. books, if one of the foremost attorneys in the government service has his facts on straight:

"Look up the Supreme Court's decision in *Skinner vs. Eddy*. Unless Congress specifically authorizes, one government corporation has no more right to interfere in the affairs of another government corporation than it would have into the affairs of a privately owned company."

If that is the case then the numerous government corporations not specifically subjected to the G.A.O. are as free as fishhawks, so far as spending is concerned.

### O'Mahoney May Revive Bill

THERE is a prospect that Senator O'Mahoney will revive his bill for the federal incorporation of companies engaged in interstate business:

"I could have had it passed by the Senate last year if I had wished to do so."

He thinks such a law might well be the cornerstone for the statutory edifice to be planned by the Temporary National Economic Committee in the next two years.

### Is the Balloon on its Way Up?

ONE of the eastern fact-finders has reviewed the history of five great inflations and has concluded that the United States is now passing through one of the recognized

phases of that phenomenon. But the balloon ascension—still using the expert's report—may be postponed for a

long time. Inflation, he says, is a slow-moving mass. Only when it begins to take on the speed of a landslide do people recognize it for what it is. "The bank's purchases of government bonds to convert Treasury deficits into spending money are recognized as inflationary."

### But the Rent Man Keeps Coming

THE Administration has now officially adopted the idea first put forward by David Cushman Coyle that the budget should make some distinction between the costs of running the Government and the costs of permanent investments in such items as roads and bridges. It is understood that Mr. Morgenthau concedes that this is an excellent thought but that it does not lessen the annual charge for interest by a thin dime.

### S. E. C. Ready to Take T. V. A. Job

ONE of those grapevines which train persistently over the government structure reports that the S.E.C. would be delighted to accept Wendell Willkie's proposition that it

appraise the properties of the Commonwealth and Southern Company as a preliminary to their sale to the T.V.A. Important persons in the S.E.C. say, not so privately, that the S.E.C. is organized to do a good job of appraisal and that they would welcome this opportunity to impress on the country that the S.E.C. is an impartial, fair-minded and friendly part of the Government. They cannot understand, they say, why Mr. Lilienthal of T.V.A. refuses to accept S.E.C. mediation.

### Like a Cow in a Quagmire

OREGON'S dispute with the Social Security Board has called renewed attention to the process of federalization which is going on. More and more the national Government is

assuming authority over the states:

"The states are like a cow in a bog," said a western senator. "The more they kick the deeper in they go."

Oregon's new unemployment compensation law makes strikes for union recognition illegal and so comes in direct conflict with the Social Security Act. If the Social Security Board were to accept the Oregon variation, labor leaders think other states might follow.

### What If It is Only Gossip?

THE story has been heard that Attorney General Cummings resigned because he could not stomach Thurman Arnold's theory of governing by "consent decrees."

"Cummings," said a friend, "finds his law in the statute books. Arnold gets some of his from Billy Sunday."

Cummings delivered a large load of goods while he was A.G. The enactment of 30 odd statutes which enabled the Federal Bureau of Investigation to function to the extreme distaste of armed robbers and kidnapers may be credited to him almost single-handed. Every one knew they were needed but Cummings knew how to get them passed. He put through the law permitting simplification of practice in the Federal courts which has been so saving of time and money to litigants. He has aided in writing a bill to remove the Federal courts from the control of the executive budget, although that is not yet a law. This would also take from the A.G.'s office the making of recommendations for new Federal judgeships.

### She Would Not Talk About It

THE attention of Robert Leroy Ripley, the talented discoverer of the Believe-It-Or-Not business, is respectfully directed to the International Labor Treaty, draft convention No. 53, which was ratified by the Senate last June.



Mr. Ripley owns a 40-foot motorboat, varnished, seating four comfortably in willow chairs, and provided with an icebox, a stove, a sink, a toilet, and a bunk wherein a guest may repose when he is overcome by the delights of fishing off Block Island, where the rollers come in green. Now, Mr. Ripley—

If after next November you go to sea you must carry a licensed captain, a mate, an engineer, and an assistant engineer.

Maybe you'd better set fire to it and go in for crocheting. Secretary of Labor Perkins put that through the Senate, all by herself. Reporters who cover her office say she does not care to talk about it.

### Power Boaters Ask for Comfort

THE exemption which Miss Perkins forgot to put in the labor treaty will, presumably, be inserted by the 76th Congress. The powerboatmen have asked for it. If it is not inserted, yachting and commercial fishing and outboard motor-boating will be finished outside the inland waterways.

### Harking Back to I. C. C. Mahaffie

WAGE-HOUR Commissioner E. F. Andrews is in a controversy with Mr. Gall, counsel of the National Association of Manufacturers, over the time-and-a-half clause:

"It is not operative," Mr. Gall insists, "if the weekly pay is equivalent to what the employees would get if their base pay was 25 cents an hour with 37½ cents overtime over 44 hours."

Mr. Andrews says in effect that this is thwarting the law and that, if employers do not obey the law as he reads it, Congress will enact a more drastic measure. The important point at issue is not which man is right but how far an administrator may go in reading into a law something that was not written into it.

### Has Mr. Patman Struck a Snag?

REPRESENTATIVE Wright Patman seems to have run head-on into the Temporary National Economic Committee. Mr. Patman would abolish all chain stores—groceries, gasoline, banks, drugs—because he seems convinced that bigness is a danger, no matter what kind of bigness it may be. Now the T.N.E.C. comes along and says in effect:

"Wait until we find out. It may take us two years. But our verdict will be based on the evidence. Sometimes bigness may be good."

Mr. Patman has reason to fear that his anti-chain-store friends in Congress may run out on him.

### Hammering on A Sore Thumb

A LARGE and notably eloquent school holds that business has about reached the limit of its intelligence and energy and should be turned over to bureaucrats who know better how to run it. The school should look at the microphotographic industry and then try to find out what is the moral. Microphotography is the recording of large documents and printed books on miniature film. It saves space and ensures the permanence of records. It now accounts for one-fourth of the business of a large film-making company. But the Governments—not only our own—for whose use microphotography was originally intended have let business men do the developing. Banks and mercantile houses use most of the film.

### Observation on Weather Signs

COMPOSITE interview with the United States Senate and the House of Representatives:

"All plans for old-age pensions will be given a fair hearing. This in-

cludes Dr. Townsend's scheme and the general welfare act which calls for payments of \$60 a month to the elderly needy. So many people are interested that a refusal to hear them is out of the question."

Back of it all is the fear that, unless the social security movement is guided and controlled, it will go completely haywire.

The present Social Security Act will be amended and the hope is that the amendments will not head toward national bankruptcy.

### "Patent Pool" Not Probable

ONE of these days the New Deal MAY—emphasis on *may*—offer legislation creating a patent pool. Not likely to come this winter. May never come. Popular and congressional reaction to the suggestion would likely be that of the Supreme Court as voiced by Justice Brandeis, who wrote the opinion giving to the Western Electric Company the right to restrict by a licensing clause the use of a vacuum tube amplifier it had developed. Thurman Arnold had argued that public policy demanded the abolition of all patent restrictions as against public interest:

"The practice of granting restrictive licenses on patent usage is well settled under the law" is the gist of the report as signed by Brandeis.

### Burned Child Dreads Fire

BEST information available from the utilities—or at least the most easily available—is that the utilities are not completely sold on the national defense plan so far as it applies to the power business in the eastern industrial area.

"We have no reason to believe that the New Deal is any more friendly to us than it has always been," said a recognized spokesman. "It now controls practically all the worth-while hydraulic sites. If it succeeds in forcing loans on the power companies in the East under the plea that expansion is needed for defense it might conceivably control the industry. We do not like it."

### Maybe It Will Never Happen

THERE are indications, faint, dim, but perceptible, that Secretary Wallace is moving toward the horse-and-buggy era. He has tried all the new schemes to help the farmer and they have not worked. Now it is suggested that he proposes to try a use-broadening plan to make new markets for old products. A treated cotton mat for mudroads is one idea. Treated cotton can be used for insulation and artificial wainscoting.

At least there is a market for good old-fashioned ideas in the Agricultural Department.

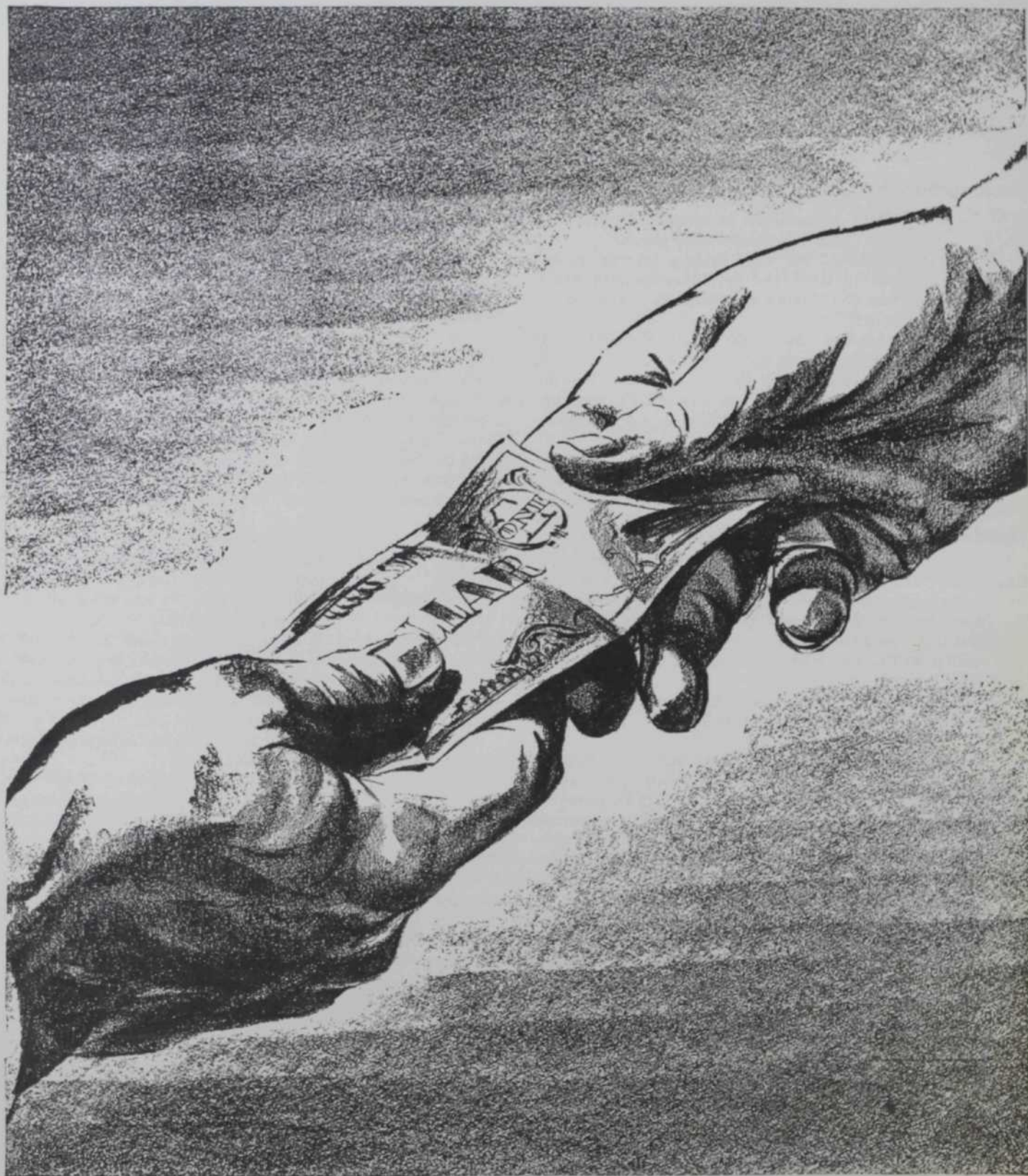
### What's Under the Lima Talk

ONE of the underlying reasons why the Administration went to Lima in a big way is that it is hoped the Latin-American republics will be both sympathetic and realistic in viewing our oil and farmland troubles with Mexico. If they are sympathetic and realistic, silver buying from Mexico will cease and there is at least a possibility that an effort will be made to stop the shipment of oil which our State Department men call "stolen." If they are not sympathetic and realistic the chances are we will go ahead anyhow. S.D. temper toward Mexico is slowly hardening.

*Herbert Corey*



# CAN "PUBLIC-RELATIONS





# ADVERTISING" PAY ITS WAY IN SALES ?

YOU enter a store to buy a certain item. You see half a dozen brands displayed. Apparently identical products. All priced about the same. But you instinctively gravitate toward *one*.

"I'll take that one," you think. "I have confidence in anything *that* company makes."

Search your mind for the basis for that confidence and you will recall that "that company" has used national advertising not only to tell about its products but also to tell about the research and policies *back* of its products.

You can name dozens of companies — local and national — who have discovered the value of goodwill toward both product *and* company.

A department store, which features low prices, uses advertising to describe the laboratory-testing be-

hind its merchandise. And the public buys with reassurance.

A great electrical company establishes confidence for its trade-mark by advertising the research, development and testing behind its products. Public acceptance is thus created for dozens of electrical appliances that would otherwise require separate advertising campaigns.

Millions of sales every day hinge on the way people *feel* toward a company. To win their confidence, through public-relations advertising, business invests almost as many dollars in the Post as in all other magazines combined.

In the Post audience there are millions of important, thoughtful families. They are the most valuable friends any business can have.

How do they feel about the company back of *your* product?

## THE SATURDAY EVENING POST

MORE THAN 3,000,000 COPIES WEEKLY . . . ALL BOUGHT AT FULL PRICE



# Leaders in the March of Business



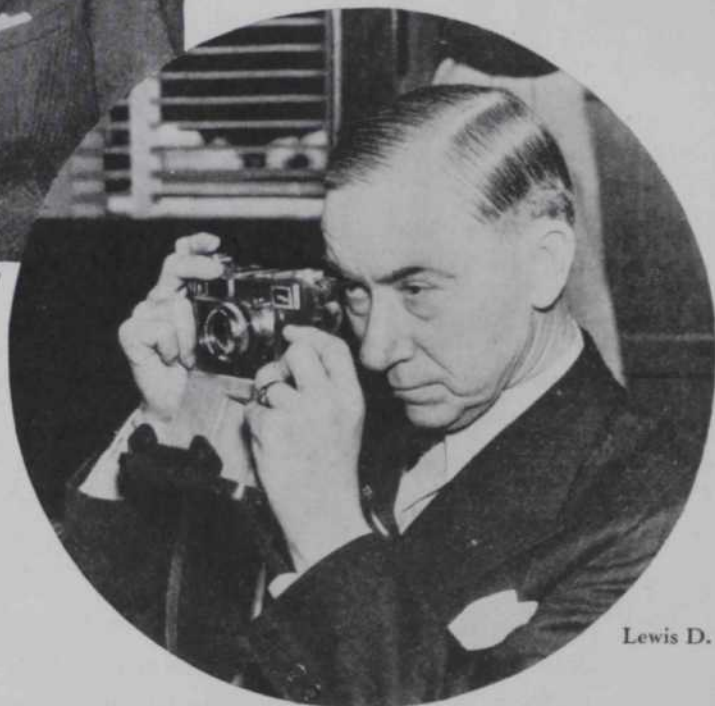
Amory Houghton and Harold Boeschstein

INTERNATIONAL COMMERCIAL PHOTO



BEN PINCHOT

F. B. Davis, Jr.



Lewis D. Fox



Charles S. Campbell

ACME



Lewis H. Brown

**F. B. DAVIS, JR.**, president United States Rubber Products, Inc., announced that his company would resume payments on preferred stock after nearly 11 years in which none have been made. He became president and chairman in 1929 and immediately initiated policy of scrapping antiquated factories and inefficient equipment; relocation of manufacturing facilities; modernization of selling and distribution, and simplification of capital set-up. Bank loans and funded debts have been reduced from \$130,000,000 to \$45,000,000.

Amory Houghton, chairman, and Harold Boeschstein, president of the new Owens-Corning Fiberglass Corporation of Toledo, Ohio, which will manufacture a glass fiber product for use in the fields of insulation, construction and industrial design.

Lewis D. Fox, president, the Tarrant County Building and Loan Association of Ft. Worth, Texas, which recently built and moved into a streamlined new home. The Association, now in its 18th year, has distributed \$2,249,653 in dividends to shareholders and has aided more than 5,200 Fort Worth citizens to become home owners.

Charles S. Campbell, president, the First National Bank and Trust Co. of Kalamazoo, Mich., was recently honored on his 75th birthday with a dinner attended by leading bankers from various sections of the United States. He entered the banking business in Kalamazoo as a collections clerk in 1890. Among recent honors was citation as Public Neighbor No. 1 by citizens of his own community.

Lewis H. Brown, president, Johns-Manville Corporation, who announced that his organization would have three new plants in operation within the next few months. They will cost about \$4,000,000 and their pay rolls will bring the number of employees of the corporation to 13,000. They will be located at Watson, Calif., Richmond, Ind., and Jarratt, Va.



# YOU'RE LOOKING AT 400,000 MILES OF FORD ECONOMY

In 1935, S. H. Bacon, of Los Angeles, bought a Ford V-8 Dump Truck. In October, 1938, he reported that truck's mileage at well over 400,000 miles.

"We estimate that this Ford V-8 Truck has hauled about 100,000 tons," says Mr. Bacon. "We are convinced that its operating and maintenance costs have been far below any other equipment we might have chosen. In fact, this Ford Truck has proved so satisfactory that we have since added eleven more Ford V-8s to our fleet.

"We take advantage of the Ford Engine and Parts Exchange Plan, using reconditioned Ford V-8 Engines every 65,000 miles. For our purposes this

is the most economical way to keep our trucks on the road and operating efficiently at all times."

The Ford V-8 Truck is built to deliver loads faster . . . cover more miles per day . . . at reduced operating and maintenance costs all along the line.

The 1939 Ford V-8 Trucks offer a new 95-hp. V-type 8-cylinder engine, in addition to the improved 85-hp. and 60-hp. V-8 engines. New hydraulic service brakes with hand brake system operating mechanically. Optional factory-installed two-speed rear axle, gear ratios, transmissions and clutches. And a host of other Ford Truck features that mean just one thing — economy.

FORD MOTOR COMPANY NOW OFFERS FORD V-8 CARS AND TRUCKS, MERCURY, LINCOLN-ZEPHYR AND LINCOLN MOTOR CARS



## HIGHLIGHTS OF 1939 FORD V-8 TRUCKS

- ★ New 95-hp. V-8 engine in addition to improved 85 and 60 hp. V-8 engines.
- ★ New hydraulic brakes for smooth, straight stops.
- ★ New-type piston rings for improved oil economy.
- ★ Factory-installed two-speed rear axle available at extra cost.
- ★ Safety and comfort of all-steel cabs, insulated, ventilated and with Safety Glass throughout.
- ★ Improved Semi-Centrifugal Clutch — low pedal pressures — with high power transmitting capacity.
- ★ Easy, dependable steering — worm-and-roller type.
- ★ Full-floating rear axle. High load carrying ability and long life.
- ★ Straddle-mounted driving pinion—ring gear thrust plate. Low up-keep cost.
- ★ Full torque-tube drive for long life and dependability.
- ★ Ford Engine and Parts Exchange Plan. Saves time.



# NEW FORD V-8 TRUCKS for 1939



# Man to Man in the Money Market

By CLIFFORD B. REEVES

## L'Affaire Whitney

WE WERE waiting in the lobby for a man from out of town who was to join us at luncheon. Somebody mentioned the Whitney case.

"Twenty years ago," said our host, "when I was working in a small town in the Middle West, my nephew misappropriated \$500 of his firm's money. He came to me for help. I was shocked, but it never occurred to me not to help. I didn't have enough money myself but this fellow we're waiting for lent me some. It never occurred to him not to help, either.

"Now I see that we were wrong. We should have refused to help. We should have told his employer what he had done and thus perhaps ruined his life. At least, that's what the Government says."

That represents the typical reaction of the "Street" to the S.E.C.'s report on the affairs of Richard Whitney. Few men cared much what the Commission said about Whitney himself. But they felt that the report was extremely unfair in criticizing his brother, George Whitney, and the latter's partner, Thomas Lamont, for trying to straighten out Richard Whitney's affairs through loans, and for their alleged failure to tell the Stock Exchange of Richard Whitney's financial difficulties.

The opinion was that George Whitney's effort to help his brother was natural and laudable. Moreover, there was no evidence that either George Whitney or Lamont had any idea how far Richard Whitney was involved. And the Commission's criticism of their failure to tell the Exchange left most men cold because, at the time the help was extended, the Exchange already knew Richard Whitney was unable to return the securities he had taken.

## Victim of Low Interest Rates

AT LUNCHEON the other day, a bond salesman nodded to a man at another table.

"There's a fellow who is worried," he said.

"He owned a few bonds of five different issues, which used to carry coupons of from 4½ per cent to 5½ per cent. In the past three years all

of them have been called. He had to reinvest in three per cent and three and one-half per cent bonds.

"Now his income from investments is reduced nearly 40 per cent.

"But that isn't all. His savings bank account, which used to pay four per cent now pays only two. His checking account, on which he used to get two per cent now pays nothing. Income from a small trust fund is only two-thirds of what it used to be and the dividends on his life insurance have been greatly reduced, which increases the net cost of his insurance, at a time when he can least afford it."

An insurance man at the table grinned.

"Just to make it complete," he said, "you ought to tell him that, if he plans to buy another annuity he had better take it before January 1, because at that time the rate at which interest accrues on annuity deposits is going to be reduced. The companies have to do it because they can no longer invest their money at yields high enough to justify the old interest rate."

A retired business man in the group squawked loudly.

"In the depression," he wailed, "the Government's policy of artificially low money rates was justified, because business needed the savings in interest costs. But that situation no longer exists! Furthermore, cheap money has not encouraged new investment. Why should the Government continue to hold interest down?"

"The saving to business that the Administration points to so proudly is coming out of the pockets of millions of individuals—like me—who

CONDITIONS which affect the use and earning power of capital come home to every business, every community.

What bankers and financiers say man to man about public and private policy in their field is as important and revealing as the formal statements issued by their institutions.

Here are timely commentaries on men and affairs reported in their original informality by an interested observer who knows his Wall Street as well as the human nature which gives it meaning throughout the Nation

hold insurance policies, savings accounts, or a few bonds and mortgages. We have to take a cut in the income from our savings, so that a company which is already showing satisfactory earnings can refund its five and one-half per cent bonds with three per cent bonds."

"There's another side to it, too," the bond salesman said seriously. "Studies of investments show that about 80 per cent of the money that goes into new enterprises comes from the little fellows—like you and my friend over there. The very rich are so few that they can't handle more than 20 per cent of the needs. If the Government spending was really necessary, it might be different but everybody knows that a large per cent of that is wasted. Wouldn't it be better if this money was used to finance new things that eventually would help everybody?"

Nobody answered.

## Giving the Stockholder a Chance

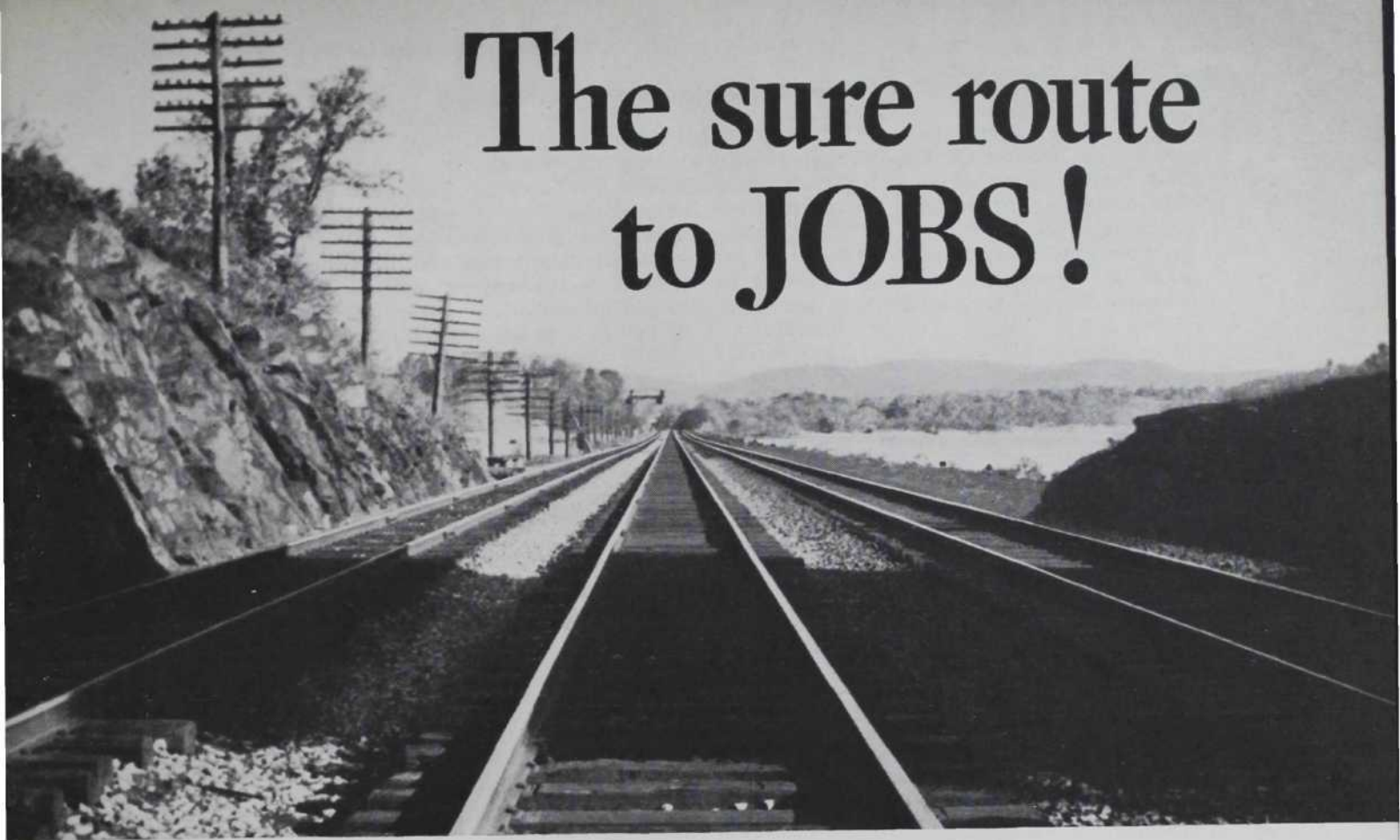
THE small investor has a way of bobbing into conversations these days. He cropped up in a broker's office one afternoon. A man who owns some B. & O. bonds was discussing the road's plan for modification of interest intended to avoid receivership or bankruptcy.

"Why do they protect the stockholders?" the bondholder demanded. "Why don't they put the road in bankruptcy and wipe out the stock?"

"You're a cold-blooded fellow, aren't you?" the broker replied. "You talk as if wiping out the stockholders were just a bookkeeping transaction. You won't find much sympathy



# The sure route to JOBS!



LET'S lift up our eyes from the short range view of America.

All of us have been living through difficult times, but anyone who knows the spirit that built

America knows that these times must pass.

And just as transportation originally built America, so railroads, as the nation's basic transportation system today, must be ready to carry the banner of future advance.

As all experience shows, *a railroad is never finished*. To keep its service abreast of the times—to step up its schedules with safety—to keep the cost of transportation low—it needs continuously to replace the old with the new.

What that can mean in jobs and purchases will be seen by such a modest estimate as this:

To replace 5% of the freight cars in service would call for 88,326 new freight cars every year, and to build one freight car provides 1,987 man-hours of work.

To replace 5% of all locomotives in service would call for 2,234 locomotives—each providing work for 50 men for one year.

To continue the work of reducing grades, straightening curves, building stronger track, installing safety signals, and the like, at the same rate as in the years from 1926 to 1936, would call for somewhat more than \$300,000,000 a year.

Here is a rebuilding program which would set axes ringing in the forests and coal and ore rolling from the mines, which would keep men busy in the ruddy glow of the steel mills—a program which would help farmers, labor, shippers, and be a real contribution to national defense.

The American railroads are ready to press forward with this program, if they can get the means—with the same spirit that has brought such tremendous strides in the past, and now provides the finest transportation in the world.

RAILROAD  
PROGRAM

**SAFETY FIRST—**  
*friendliness too!*

ASSOCIATION OF  
**AMERICAN RAILROADS**

WASHINGTON, D. C.



these days for that point of view. The only people who seem to have no compunction about ruining a stockholder's investment are certain Government officials who want to compete with private business, or hamstringing it so it can't earn a profit.

"Let me show you," he continued, "what you'd be wiping out. Miss Brooks, bring me the holding records on account No. 142."

Pointing to the card his secretary gave him, the broker went on:

"Here's a man who has done occasional business with us for 15 years. He holds ten shares of B. & O. common that he bought for \$110 a share in 1928 when it was earning more than \$10. To buy it he saved \$5 a week out of a small salary. That investment represents movies that he didn't go to, cars he might have bought but didn't, vacations he didn't take. It represents hardship and self-denial.

"When you 'wipe out stockholders,' as you so quaintly put it, or destroy investment values through government competition, you're wiping out the savings and jeopardizing the future security of thousands of people like him. The B. & O. has more than 36,000 stockholders, and the average stockholder has only about 70 shares. There's more to a capital readjustment than arithmetic."

## New Capital for Small Business

FINANCIERS both in New York and Washington are watching the progress of the Prudential Corporation recently organized in Dallas, Texas.

"If it is successful, it may be the forerunner of an entirely new type of banking institution," is the way one man explained his interest.

Prudential will make long-term capital loans to small business and will buy both stock and bond issues of corporations. Its initial capital is \$2,000,000 and it will confine its activities to the Southwest.

It was formed just at a time when bankers and business men were conferring on the possibilities of creating some sort of organization to do the job the Prudential Corporation has set for itself.

For many years small businesses have been complaining that the banks were not providing them with credit to which they were entitled. Finally the Administration authorized the Federal Reserve Banks and the Reconstruction Finance Corporation to make direct loans to business. But these agencies were unable to pump any substantial amount of additional credit into circulation.

They found that most applicants could not meet ordinary banking requirements. After four years, the

New York Federal Reserve Bank stated frankly that the loans granted were substandard and that income from them did not offset the losses. This would seem to indicate that the criticism was unjustified.

Another thing discovered was that what many applicants needed was not short-term credit but long-term capital which commercial banks cannot supply. Providing additional permanent capital had always been the function of the security markets but, since investors were not interested in the securities of small companies, the security markets could not function. Moreover, many of the companies needing capital were too small to be fit subjects for public financing under any circumstances.

Here was a need for capital that no existing financial institution was meeting. Government officials and bankers conferred regarding the establishment of a new type of bank that would make long-term capital loans to small business. Now, through the Prudential Corporation, private initiative is undertaking the job.

## Indict First, Investigate After

"IN the old West," said the man who shared a seat with me on a suburban train, "the rule used to be 'Shoot first and ask questions later.' Now, down in Washington, they've changed it to 'Indict first and investigate afterwards.'"

He had been reading about the so-called "Monopoly Investigation."

"When the Government first announced its plans for these hearings," he went on, "business was assured that the inquiry would be fair and that constructive suggestions would be welcomed. Many companies, mine among them, wanted to cooperate. We began some elaborate economic studies of our own.

"Now it looks like everybody was trying to beat the Monopoly Committee to the draw. Nearly every one in the movie industry except Shirley Temple has been indicted. The F.C.C. is investigating monopoly in radio. Thirty-four corporations were indicted in Chicago for violating the anti-trust laws in the milk and ice cream industries. The Aluminum Corporation is involved in antitrust proceedings and the Department of Justice recently announced a widespread study of the building industry. They've just finished antitrust cases against leading oil companies and certain automobile and finance companies and another case against General Motors and its finance company is about to start."

"I wonder," said a listener, "whether there will be anything left for the Monopoly Committee to investigate?"



"Don't forget, we pay 2 1/2 per cent on savings deposits"



# System Can Cut Building Costs

By SANFORD E. THOMPSON and WILLIAM E. CURLEY

**METHODS of planning and control, borrowed from manufacturing, simplify the workman's job and eliminate delay when adapted to group housing**

**T**HE CONSTRUCTION industry is perhaps the only one in America that in all its branches has not developed more efficient methods of work in the past 25 years. In industrial and commercial building, improved scheduling and control of the work has shortened the time of completion and reduced overhead costs. In house building there has been little improvement.

Yet many years ago it was found that, by proper methods, it was possible to reduce the cost of carpenter labor on a house nearly one-third and, at the same time, pay the carpenter a higher wage. In other building trades a similar saving is practicable without increasing the speed of the men unduly.

In discussions on housing we hear little about construction labor. Yet some 40 per cent of the cost of a \$3,000 house built by FHA plans is actual labor on the building site.

If we are to reduce costs in the building of houses, the line of approach must be the same as that which has accomplished such remarkable results in reducing manufacturing costs. In manufacturing, keen competition has forced industrialists to analyze scientifically not only their designs and materials, but also their operating methods. As a result, the 1939 automobile is not only infinitely superior to the automobile of a quarter of a century ago, but costs far less while building costs have more than doubled. Today an excellent table model radio can be purchased for \$20, while 15 years ago a less efficient radio cost \$240.

The house of 1939, as does the 1939 automobile, demands far more convenience and comfort than was expected in 1914. But, while in the automobile the vast improvement has been accompanied by lessened cost, in house building the added conveniences have simply added to the cost.



The house above was built in 1937, the other, of almost identical size, in 1915. Although the newer house has certain conveniences the other lacks, it cost 33 cents a cubic foot. The other cost 16. Unlike other industries, building has been unable to reduce its costs



Definite progress in house construction has been made in certain lines. New materials reduce material cost and improve fire resistance and insulation. Prefabrication has been attempted, in some cases with results which indicate future possibilities in this line. But, on the other hand, the cost of labor has been a handicap. Wages have risen, perhaps even more than in manufacturing, but—and this is the vital point—with no corresponding increase in productivity. We do not need to make a man work harder—in fact, in manufacturing, most strenuous work is now largely done with machinery—but we do need to have him work more expeditiously.

## Planning for economy

WE are not asking for a speeding up. But the work in construction must be planned to reduce unnecessary time, save worry, and avoid mistakes.

In other words, scientific management is essential in house building just as in manufacturing. In industrial

plants, labor costs are controlled through two effective tools of management; adequate planning and production standards. To see what these same tools can accomplish when adapted to building, let us look at a few typical examples. Here are actual time reductions on carpenter operations in house building:

Erect non-bearing partitions	25%
Diagonal Wall Sheathing	32%
Wall Furring	30%
Finish Floor Laying	36%
Framing	29%
Setting Floor Joists	34%

Here is how it was done:

The building of a house looks very simple. For a frame house all the carpenter has to do, apparently, is to take the lumber as it comes to him, cut it according to plan, stick it in place and nail it.

However, that generally isn't all he actually has to do. In the first place, except in the higher-priced houses, the plans show only over-all dimensions and location and sizes of windows and doors. From these plans, the carpenter









# DRIED FRUITS

## Have Brought Man Joy for 10,000 Years

The preservation of fruits by drying is older than written history. Before ever a Pharaoh lived in Egypt, man had learned that when many of the choicest ripe products of his vineyards and orchards were properly exposed to the warmth of the sun, their moisture content was reduced, but their sugars and delicious juices were preserved in concentrated form • Dried figs were a prized article of commerce in the earliest Biblical times. In 400 B. C. Armenia recognized the production of raisins as a staple industry. Sun-dried prunes, apricots and peaches have followed and sustained man in his earth wanderings down through the centuries • Modern dieticians find ever new uses for dried fruits. Modern laboratories appraise their high food values in terms of blood-building minerals and energy-producing sugars, of vitamins and calories. Modern science steadily improves the quality of the fruits themselves, and their methods of preparation, packing and shipping. But fundamentally we go on using dried fruits for the same simple reasons that appealed to the primitive nomads of ancient Asia—they are easy to transport, long-lasting, nourishing, and delicious • Today the commercial drying of fruit is a great industry, in which America leads the world, and California leads America. Favored by ideal natural conditions, California grows and processes—and in large part ships by rail—more than 90% of the enormous total tonnage of dried fruits that Americans annually demand and consume so joyously.

● For years it has been the Santa Fe's privilege to act as a link between the producers and consumers of America's dried fruits, recognized as the world's finest. Many thousands of vineyards and orchards, devoted solely to the production of these table delicacies, are located along our lines. In 1937 more than 100,000 tons of dried peaches, pears, apricots, raisins, figs, prunes and apples—representing many times that weight in superb fresh fruit—traveled to you over Santa Fe rails.





sketches have been made. In this group work it was found more satisfactory and economical to do all of the framing of the structural members at the lumber yard. An open shed was thrown up, simply a roof, as a protection against the weather.

### Simplified work

IN this shed horses 12 feet long were made to permit a number of joists or other members to be placed ready for work at the same time.

Each pattern was identified, and measuring rods of light wood, having a tape bedded in them and varnished over, were provided.

The two men chosen for this framing work were selected principally for their strength, activity and ability to

file their saws properly. The procedure of cutting the lumber is simple. The lumber yard delivers the rough lumber to one side of the shed, the different sizes in separate piles. The two framers throw on the horses the proper number of pieces shown on a framing sketch, lay out the cuts and measurements using the "length rods" for measurements and the various patterns specified for the end cuts. They cut the pieces, put the proper symbols on them with lumber crayon, lift them off the horses and pile them at the other side of the shed, ready to be hauled to the building. The men have no responsibility beyond following the directions given on the sketches.

The framed lumber is then hauled to the building site. Preparatory to

actual erection, the foreman lays out on the wall or sills and on the girders the exact position of key members. The framing plan is given to the boss laborer, whose gang places the joists in approximate position. This requires not skill but brawn. Two carpenters assemble the trimmers and headers as laid out by the foreman and then lay off the position of the full-length joists.

In this erection work, time standards were established which resulted in a considerable reduction in labor costs coupled with higher earnings of the men.

The same procedure is followed through the erection of the entire structural frame.

No attempt is made to pre-cut non-bearing partitions or sheathing be-

## All Quiet on the Labor Front



John L. Lewis



William Green

PHOTOS BY HARRIS & EWING

**R**EPORT of John L. Lewis at C.I.O. convention in Pittsburgh: "The C.I.O.'s membership of 4,037,877 included 34 affiliated unions, eight organizing committees and 675 local industrial unions." The list included 250,000 members of the Ladies Garment Workers Union which has withdrawn from C.I.O.

William Green: "Who will believe the C.I.O.'s total membership claim of 4,037,877 given in this report? No patent medicine literature ever claimed more misleading claims. For instance, the membership of the United Mine Workers is listed as 612,113. Yet the last official report of that union gave its membership as 447,824. . . . The Steel Workers Organizing Committee claims 525,612 members in the C.I.O. report. Is there any proof that it has even a mere fraction of that number? The Textile Workers Organizing Committee lists 450,300 members. All our information from accurate and direct sources indicates the T.W.O.C. has fewer than 50,000 paid-up members."

The Lewis Report: "Total receipts for the three years of C.I.O.'s existence were reported as \$3,540,385.62 without indicating where the money came from. Total expenditures were \$3,510,954.93. Some of the receipts came from the United Mine Workers; other sums from the *per capita* tax of five cents a month on members of all C.I.O. unions. Of the money expended \$1,760,838.65 went for organization expenses, most of it in salaries and travel, and \$1,310,178.20 was advanced by the C.I.O. to its affiliates."

William Green: "The financial report is mysterious to say the least. The financial accounting of all the activities of the C.I.O. for three years is given on one brief page. It is said a total income of \$3,540,358.62 was received by the C.I.O. in the last three years. From what specific sources? Careful scrutiny of the report fails to yield a clue. How much of this sum was contributed by the United Mine Workers, the financial angel of the C.I.O.? The report does not indicate. Yet the financial statements of the United Mine Workers Union show it contributed more than \$2,000,000 to the support of the C.I.O. and its agencies in the last year alone. How about the new affiliated unions which are said to be self-supporting now? The report shows the C.I.O. advanced \$1,310,178 to affiliates but gives no breakdown, accounting or explanation."

The Lewis Report: "The first constitutional convention of the C.I.O. is likely to prove one of the most effective steps yet taken in the direction of labor unity."

William Green: "How in the name of common sense can anyone believe such bare falsification of the facts? Only a few days ago the International Ladies Garment Workers Union severed all connections with the C.I.O. for this stated reason: 'The formation of a permanent national union to supersede the C.I.O. would, in our judgment, sharpen the conflict in the labor movement and would create greater obstacles for ultimate reconciliation.' We share this view."



cause, even if it were pre-cut, it would be extremely difficult to identify and assemble in its proper place.

The practical methods for systematizing the building of a group of houses are illustrated by the framing plan and framing sketches of the four kinds of joists for a brick house or ordinary construction.

J1 = Plain joists, 18 of these

T1 = Trimmer, to frame around the chimney and hearth

H1 = Header—mortised to receive the three tail joists

L1 = Tail joists

Note that while no attempt is made to draw these sketches to scale, all necessary dimensions are clearly shown.

The aim of the entire procedure is to save time and effort so that workmen on the job can proceed without delay and without waiting for the foreman to give them instructions. The men can do a good day's work with the least effort. The saving in cost results, not from what may be termed "speeding," but from systematic treatment and proper dovetailing of all the things to be done.

The trimming out or finishing after the plastering is completed is planned in similar fashion. From the standards established by actual time study it is possible to determine the proper time, for not only the rough framing and erecting, but for all the finishing work in each room.

Does this seem complicated? So does the ordinary routine planning, control and job standardization in a factory where the ramifications are far greater than in construction. But it pays in the factory. It pays in construction. It permits the work on the job to go smoothly ahead without delays and interruptions.

From the hitherto neglected standpoint of building labor there are vast possibilities for better productivity through more orderly planning and control which could help accelerate the drive for more and better homes.

The building trades, instead of taking the view that "restricting output will make the work go round," must recognize that, if homes cost less, demand will increase and more work will be available. This will reduce unemployment and lower living costs.

### When You Change Your Address

... please notify us promptly. Your copies of Nation's Business will then reach you without delay and without interruption.—NATION'S BUSINESS, 1615 H Street, N.W. Washington, D.C.



## How A Great Corporation Saved **50.7%**

### Read Why Compensation Costs Came Down

● From a collected rate of \$2.88 per hundred dollars of pay roll in 1931, to only \$1.56 in 1937 . . . that is the record of one company whose management, awake to both the humanitarian and dollars and cents value of safety, has co-operated fully with Lumbermens safety engineering program.

This has meant a saving in the initial rate paid by the company for this insurance of \$563,823 during the seven years from 1931 to 1937 inclusive, as compared with what it would have paid had its original rate been continued.

The dividends they have received have added another \$171,479, making the total saving \$735,302, or 50.7%.

#### Savings from Lumbermens Safety Service

Each year Lumbermens engineers save thousands of dollars for hundreds of alert employers. In the case cited above, for example, Lumbermens, which carries a majority of the compensation insurance written in this industry, has been an important factor in lowering the manual rate for all companies while providing experience rating credits and dividends for policyholders.

Lumbermens comprehensive safety program embraces both scientific methods of reducing physical hazards and an educational service that teaches employees how to avoid accidents.

Find out how this program may save you money, not only by reducing the net figure you pay for compensation insurance, but also by eliminating many of the losses that always result when accidents occur.

Write today for more complete information about Lumbermens and a copy of "How 10 Corporations Reduced Production Losses by \$133,099."

## LUMBERMENS MUTUAL CASUALTY COMPANY

JAMES S. KEMPER, President

MUTUAL INSURANCE BUILDING, CHICAGO, U. S. A.

Save with Safety in the "World's Greatest Automobile Mutual"



## Highway Safety Goes to College

(Continued from page 26)

and Chief Justice H. H. Porter of the Evanston Municipal Court, who has aided the police all the way in their war for safety. Judge Porter conducts mock trials and talks to students in this vein:

Remember that the judge is an elective official and when he begins to bear down on traffic violators he is bound to come in for severe criticism. "Cooperation of the court" never implies convicting the innocent. Bring in the guilty. Prove it on them. Explain your methods to the judge and convince him that, for every false friend he loses by bearing down, he will gain ten true friends.

In classroom and in the field students learn how to keep accident records, make "spot maps," organize patrols, get written and signed statements immediately from witnesses and participants; use a decelerometer to test a car's stopping speed; measure skid marks and calculate from them how fast an accident

car was going; use photographs as evidence; and much more. In hit-skip cases they learn the importance of even tiny telltales found at the scene; a tire mark, flakes of paint or rust, dirt deposits, cement dust.

This basic course is for municipal officers. A similar course for state and county officers emphasizes rural enforcement.

The second kind of course, also lasting two weeks, is more advanced. It may be taken only upon invitation, and only by men who have graduated from the basic course at Northwestern or some other I.A.C.P. designated college.

The third kind of course covers a full academic year and is given only at Evanston. Many of the students attend it on fellowships of \$1,200 each given by the Kemper Foundation for Police Traffic Training. These fellowships are awarded each year to eight carefully chosen applicants. Each one must prove mental aptitude by passing a psycholog-

ical test. But screwballs who happen to be smart aren't wanted, so candidates are approved only after personal interviews and exhaustive conferences by the Institute's staff representatives.

Consequently, students in the long course rank in the upper ten per cent of the country's white population. They have included a supervising inspector of the California Highway Patrol who had attended Leland Stanford and studied law. He relinquished command of the Bureau of Auto Theft and Investigation to attend the course. A 29-year-old Dayton patrolman who had graduated from a business college, attended a short course in police administration at Ohio State University, and had become a prominent speaker in Dayton on police problems; a traffic sergeant from Kansas City who had won that city's distinguished service medal for bravery in action are a couple of others. Most of them are given leave on full pay while they attend.

### Fellowships help some officers

TWELVE additional fellowships were awarded this year under the Alfred P. Sloan, Jr., Safety Award to policemen representing prize-winning cities and states in the National Traffic Safety Contest.

A few additional officers are generally admitted if they can scare up their own funds. Officer Richard Holcomb, a master of arts from Boone, Iowa, broke into the first long course by main strength and obstinacy. Refused at first on the ground that he was not a practicing policeman, he showed up on registration day with a tin badge and a letter from the Mayor of Boone affirming that he was chief of detectives of that up-and-coming tall-corn town! Holcomb made good, was retained on the staff, and recently completed an important research study on the relation of alcohol to traffic accidents. Counting this year's class, 44 men have taken the long course.

Besides teaching, institute staff members organize accident prevention bureaus in police departments. This work is wholly under I.A.C.P. sponsorship. Seventeen such bureaus have been organized to date, the most recent being those in Detroit, Dayton, and Chattanooga. The work in Detroit has already made that city the stand-out among big cities in number of lives saved and accidents prevented.

What's to be said about results of sending highway safety to college?

Figures on lives saved and injuries averted in 1938 are the most dramatic answer so far. Credit for that is shared, of course, with the highway engineers who have been busy building safer highways and with the drivers who have been learning to drive more safely.

Other results are plentiful. Graduates of the courses have been promoted because they were better trained. Fred Webster, of Saginaw, Mich., left the long course last spring a sergeant and is

## BELLRINGERS



## A Silencer for Cars and Critics

THE SUBSTITUTION of rubber-tired electric trolley coaches like this one for old street car equipment has played an important part in turning losses into profits for the Shreveport, La., Railways System.

The number of passengers had dropped from 13,000,000 in 1920 to 9,500,000 in 1929 despite a 50 per cent increase in population to 75,000 in that period. Since the introduction of trolley coaches in 1931, revenues have gradually picked up and last year the company carried 3,200,000 more passengers than in 1929.

Five trolley coaches were placed

in operation in 1931 and, when they proved popular, the fleet was increased to 44.

Increased patronage has permitted lower fares.

The company has devised various ways to sell and keep the public informed of its service, some of which are:

Newspaper and radio advertising; civic ceremonies for inauguration of new service on each line; personal letters with a free strip of tickets to each new resident; minstrel shows for which the admission charge is a round trip bus ticket.



now a lieutenant in charge of traffic in the Saginaw Police Department. He is one of many.

Ex-students have installed more or less complete accident prevention bureaus themselves. They have improved hit-skip conviction records and arrest procedures, have helped to outlaw the "fix," have obtained better scientific equipment or more men for traffic divisions, have spotted "death corners" and reduced hazards, have inaugurated safety education in schools.

They form a spearhead of trained men all over the country carrying practical safety knowledge to ever-increasing numbers. Slaughter on the highways is diminishing, and those who know what's going on are sure that the death and injury rate will drop in the next few years far more than in 1938.

There are dramatic individual cases of results. On July 1, 1938, Abraham Garcia, 72-year-old farm laborer, was hit and killed after dark on the highway near his home in San Ysidro, Texas. Nobody saw the accident. Police, however, picked up a small fragment of headlight glass. On July 7, just six days later, an officer waited in a residence driveway in the town of Ysleta. The man who lived there drove in.

The officer stepped forward, "I am Captain Falby of the Highway Patrol," he said, "and I want to talk to you about the accident you had on the evening of July 1."

The man, according to Falby, "turned white and his hands trembled on the steering wheel." In the face of a completed chain of evidence which he could not refute, he pleaded guilty to hitting Garcia and was convicted.

This arresting officer, Capt. A. G. Falby of the El Paso County Highway Patrol, was one of the hundreds who has gone to college to learn safety enforcement. He attended the basic course at Northwestern in October, 1936, and the advanced course a year later. It was there that he learned the technique of investigating hit-skip cases that led him from a piece of broken glass to scores of garages, oil stations, parts stores, and junk shops; on through endless state license-plate files; finally to the owner of the only car that could have killed the old Mexican.

Since highway safety has gone to college, the enforcement of traffic laws in the United States is making good in a way it never did before. There's still vast room for improvement. But it is no longer anywhere nearly true that "in 99 communities out of 100 the police are practically useless at the scene of an accident." The modern trained traffic officer is a professional man, with a job of great importance to the community, and he's doing it better than ever before.

What does all this mean for us average dub drivers? Let Franklin Kreml answer.

"It means," he says, "that you'll more nearly get your money's worth out of the traffic division of your local police department. It means that you may have to drive a little more carefully yourself. But it also means that you and your wife and kids will be safer on the streets and highways."

# KING CHEMURGY *decrees*



## NEWSPAPERS *from* PINE

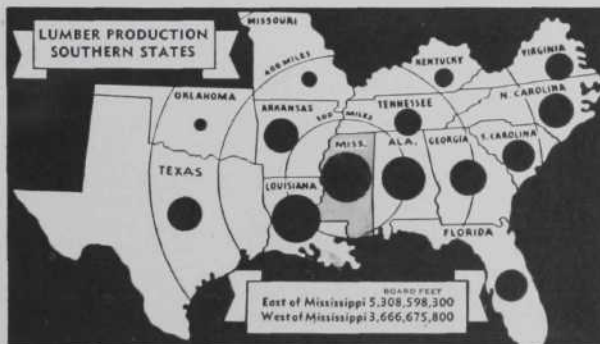
Certain as science and sure as the sun, King Chemurgy ordains that the paper industry find profit and perpetuity in the South.

Sixteen million acres of Mississippi forest land offer permanent yields of young pine. Growth is as high as a cord per acre per season. Cost is less than \$1 per cord. The crop cycle is less than 12 years.

To supplement natural re-stocking, one Mississippi nursery alone produces 30 million seedlings per year at costs under \$1.75 per thousand.

To mills enmeshed in mounting costs or suffering the encroachments of foreign competition, King Chemurgy answers, "Mississippi."

You will be interested in "The Realm of King Chemurgy," the graphically illustrated story of a state where agriculture plus science spells industrial opportunity. Write for your copy now.



**MISSISSIPPI INDUSTRIAL COMMISSION**  
A DEPARTMENT OF THE STATE OF MISSISSIPPI - JACKSON, MISS.



# What's New in Marketing . . .

## New angles in the quest of buyer by seller

### Streamlines in the Corn Rows

THE Minneapolis-Moline Power Implement Co. does its bit to "keep 'em down on the farm" with a new closed-cab farm tractor.

It is called the Comfortactor, has cushioned seats for two, hot water heater, safety glass, windshield wipers, radio, cigar lighter and ash tray. With all these features and a maximum speed of 40 miles an hour, it is calculated to cause son to ask dad after a hard day in the field: "Pop, can I have the tractor tonight?—got a heavy date with one o' them girls at the college."

### Trade Talk

GENERAL MOTORS defends the much-maligned "annual model racket" as a means of extending the advantages of car ownership, through the constant flow of used cars, to millions of families that otherwise could not purchase automobiles. . . .

Modern Plastics magazine's three top awards for new use of plastics went to Learradio for its radio direction finder, Chrysler for its glove box door and instrument panel, Lockheed aircraft for its molded window frame. . . .

Low Hahn, speaking for the National Retail Dry Goods Association, told President Roosevelt that Secretary Wallace's two-price scheme to enable "underprivileged" to buy commodities at privileged low prices "would result in a serious dislocation of the retail industry and thus adversely affect retail employment." . . .

Hat men say that college boys are giving up the barehead fad and going back to hats. A survey covering 200 colleges



disclosed that their hat purchases are \$1,064,856 a year. . . .

The famous Bata company, Czechoslovak shoe manufacturers, have acquired 2,100 acres of land in Harford County, Maryland and will erect an American factory. While the Bata interests in Czechoslovakia are outside the amputated Sudeten area, the business is reported endangered by the new German influence. . . .

Orson Welles, whose long-to-be-remembered "War of the Worlds" radio drama-

tization was so vivid that masses of Americans thought the Day of Judgment had arrived, won the sponsorship of Campbell Soup for his Mercury Theatre of the Air.

### A Receding Menace

THE new *Garrison's Magazine*, published in the interest of independent retailers and opposed to the chains, quotes in its first issue some significant figures from the U. S. Department of Commerce Census of Business. They show that chain store sales fell from 25.4 per cent of total retail turnover in 1933 to 22.8 per cent in 1935.

During those two years of rising business volume the chains increased their sales about 19 per cent and decreased the number of their stores 10 per cent, while in the same period sales by independents increased 36 per cent and the number of independent stores increased 9 per cent.

In the light of these figures the question arises: Just where is this "growing menace" of the chains?

### Women Vote Preferences

MOST businesses are voted up or voted down in the greatest democracy of all—the consumer market. To find out what families buy and where, their likes and dislikes as to brands and merchandising methods, and other facts, Scripps-Howard newspapers conducted a canvass of 53,124 housewives in 16 cities all across the continent from Washington to San Francisco. The results of this survey, made through the cooperation of local Parent-Teachers Associations and other organizations, was published recently in two elaborate volumes of "Market Records."

The survey covered a sampling of from two to eight per cent of families in each city, carefully chosen in predetermined proportions from three income levels.

From the report we learn that in Birmingham 43 per cent of food dealers suggest substitute brands to their customers, while in San Diego only 18 per cent offer something else. In each case approximately three-fourths of the substitutes offered are accepted. Retail drug stores show similar ratios. The difference, according to H. W. Hailey, Scripps-Howard's director of promotion and research, is in the strength of chain stores. They make a greater effort toward the substitution of brands and also the sale of additional items.

Noteworthy in the tables of brand preferences is the popularity in some cities of certain local or regional brands in com-

petition with national brands. While "8 O'Clock," "Maxwell House" and "Chase and Sanborn" coffee lead generally, there are exceptions like Washington's, where Wilkins brand is first, and Knoxville, which favors "J.F.G. Special." The general leadership of Swift's and Armour's cured hams is upset in Cincinnati by Kahn's.

In some instances the local brand is as strong as the three leading national favorites.

The most dominant brand in its field among the items surveyed is Campbell's tomato soup, the choice of 77.5 per cent of all the families reporting. Kraft's cheese was second, Schick electric shaver third, Swansdown cake flour fourth, and Gillette safety razor fifth. Other brands showing strong dominance were Aunt Jemima pancake flour, Coca-Cola, Jello, Scott's paper towels, Dr. West tooth brushes, Goodyear tires and Philco auto radios.

Much closer competition is indicated in coffee, lard, cold cereals, canned salmon, lipstick, face powder, motor oil and others.

### Cotton Cord Rebuttal

M. W. ROZAR, director of sales development for the Bibb Manufacturing Co., Macon, Ga., read the item on this page of the November number in which we quoted durability claims for the new rayon cord tires, and dissents. He says



that recent developments in the processing of cotton make it compare favorably with rayon, both in the important characteristic of heat resistance and in other respects. Mr. Rozar submits results of a number of tests that bear out his contention.

### Co-ops Go Practical

PRACTICAL dollar sense dominated save-the-world idealism at the recent Kansas City convention of the Cooperative League of the United States, according to observers. While the latter group were urging the pure Rochdale vision of a new social structure and decrying membership from those mercenary souls who join the crusade only to save a few cents on purchases, the former were talking costs and modern merchandising methods.

However, both indicated allegiance to some sort of wealth redistribution aim. They reciprocated a love pat for the movement from the A.F. of L.

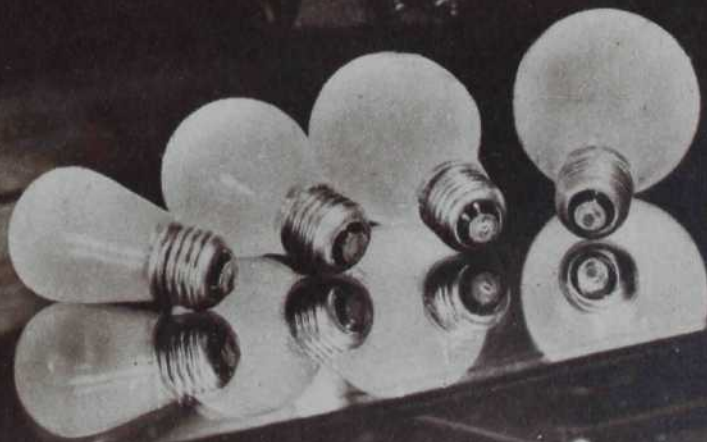


# More for your **MONEY** in the **ROTO** **SECTIONS**

Retail advertisers measure every line of space and every promotion against the sales it produces. And unless those sales are both satisfactory and immediate . . . well, they don't make the same mistake twice.

Therefore, when such an outstanding retail store as the H & S Pogue Company, whose story is detailed on the next page, waxes enthusiastic about newspaper rotogravure, common sense suggests that if you're buying space from the standpoint of profits—it will pay you to add rotogravure to your list.

**Kimberly-Clark Corporation**  
NEW YORK 122 East 42nd Street  
Established 1872 • CHICAGO 8 South Michigan Avenue  
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LOS ANGELES 510 West Sixth Street





The H. & S. POGUE Co.



## Destroying the Prosperity Formula

(Continued from page 24)

ment from this prosaic land of reality and take a short trip to the magical country of the Mazumas where all production and services are mechanized and machines turn out mazumas. Some workers turn out more per day, some less, depending on the ability of the operator and the efficiency of the machine. But every one turns out the same product, Mazumas. What makes Mazumaland a magical country is that the Mazumas may be transformed at will into what you want, a pair of shoes, a hat or food. The workers all produce Mazumas and are paid in Mazumas. They produce what they consume. But they do not get all that they produce. Some Mazumas must be handed over to Government, which they cannot do without, and to Management, which they cannot do without, and to Investment to replace old and worn-out machines with better ones when the need arises.

Workers in Mazumaland would not think of practicing the "slow down" or suggesting that shorter hours will make them better off. They know that their standard of living depends directly upon the total output of their machines. They realize that, if Government or other overhead costs go up, the way to offset it is to produce more Mazumas. You could not preach the doctrine of scarcity in Mazumaland and get away with it.

### Our system more complicated

NEITHER should it be preached in the United States. Why? One reason is because we have a complex situation. It is impossible for the Mazumaland workers to produce too many Mazumas; while it is quite possible at times for us to produce a surplus of shoes or wheat.

However, as soon as we attempt to cure this situation of surpluses in occasional lines by slowing down output in general, we are in the same category as the gentleman who had his head chopped off to cure his gout.

Another complicating factor is the necessity of pricing the products of production. Based as price must be, partly on competition, it gives rise in sick or obsolescent industries to price and wage situations which penalize wage earners by imposing low consuming power upon them. Attempts to remedy this situation, even by the most militant unionization, seem futile.

All of this may sound like a brief for the political theory of regulation of hours, wages, prices and production quotas. It is not. Regimentation would inflict worse ills upon us than do the laws of supply and demand.

What is the answer? If we hope to remedy this situation—and it must be remedied if we hope to preserve our American System—it must be done by those who are qualified through their understanding and experience in industry. If private initiative and private management do not tackle this job,

Government will. And if Government takes over the plow handles, there will be no turning back until the last vestige of our system of private enterprise and initiative is turned under the sod. I do not think that American labor wants that.

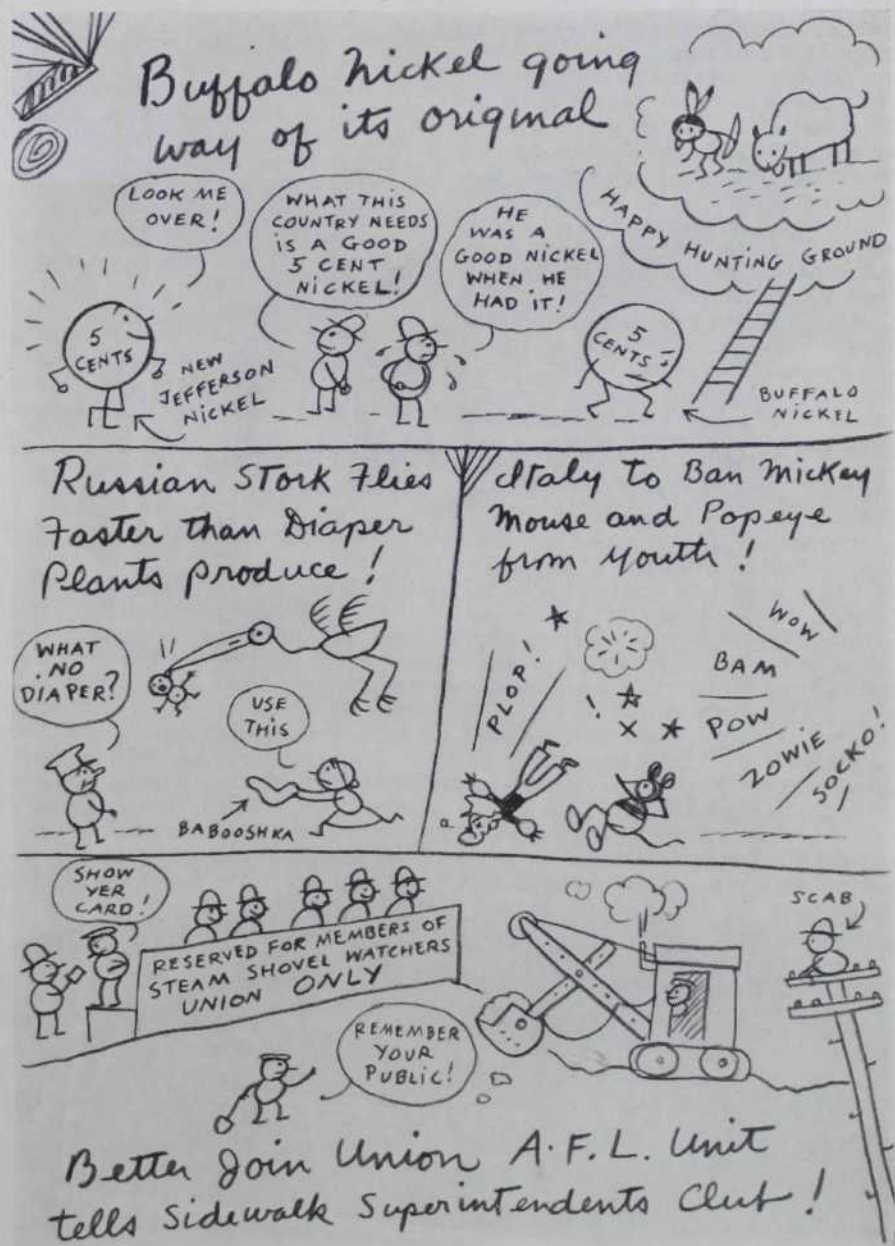
How and where can our business and industrial leaders start to tackle this job? Not along the broad front of wages, prices, production quotas and consuming power, because that is what politics has tried to do and failed. The thing to do is to concentrate at first upon that part which gives promise of most effect—concentrate upon the problem of technological displacement. If we can make a dent in that, it will cure the "slow down" and create a new labor at-

titude toward the machine. That, in turn, will put the doctrine of scarcity on the scrap heap.

Management, representing ownership and investment, through acts of both commission and omission, is largely responsible for the present worker psychology. It has made its greatest mistake through acts of omission. It has failed to interpret the formula of efficiency gains and their beneficial results to labor and to the public. It has failed to present the facts because it has neglected to obtain them. It has failed to give the facts with reference to the price effect of mechanization, which affects every one of our 130,000,000 people.

Since our mass production industries

### From a Business Man's Scratch Pad . . . No. 33





provide the larger share of employment, since their wage scales exceed the average, and since they pay the lion's share of taxes, it cannot be said that they are damaging to the worker or to Government. The inference always is that they are unfair to the public, because of their price policies.

Let's examine the Government record of wholesale prices. These represent the producers' performance. Between 1923-1925 and 1936, the price of vacuum cleaners has been reduced 50 per cent; washing machines, 50 per cent; plate glass, 60 per cent; auto tires, 55 per cent; women's silk hosiery, 58 per cent; petroleum products, 40 per cent; hot rolled annealed steel sheets, 54 per cent; electric power for domestic consumption, 30 per cent.

The average price reduction for all of these diversified mass-production and so-called monopolistic products was 49½ per cent, without taking into account the increased value passed on to the consumer in better quality of product.

### Lower than average prices

BUT someone may say that the price level of all goods and commodities dropped between 1923-25 and 1936. Let's examine the Government record again. According to it, the average drop in all commodity prices in that period was 18 per cent. Therefore, in addition to following the downward price trend, the industries manufacturing these products passed on an additional 31½ per cent price dividend to their consumers. Now what does this mean? It means that the American consumer has a vital interest in seeing that the progress of machine improvement shall not be halted.

And consider this:

The average rate of gain in efficiency in our manufacturing industries between 1923-25 and 1936 was three per cent a year or 36 per cent. Under what might be called normal conditions, this efficiency gain should have been divided between ownership, labor and the consumer. What has happened? With respect to the products I have mentioned, the consumer has been given a price reduction, beyond the normal price trend, of close to 87 per cent of the entire average savings attributable to improvement in production in that period.

If the average American worker could be shown the facts, and I think he is beginning to see them, he would realize that increased cost of Government is a far greater threat to his well-being, his wages, his employment and his purchasing power than is increasing mechanization. Mechanization is not in competition with the worker; it helps him to earn more. I can show you many examples of mounting cost of Government bureaucracy penalizing our workers in private industry for the benefit of those on public pay rolls.

Let us take, for example, what is perhaps the most aggravated case of technological displacement on record.

In 1909, something more than 100,000 people were engaged in making cigarettes. Along came the automatic cigarette making machine. The number employed in the industry dropped to less

than 25,000 in 1935. More than 75,000 people deprived of jobs!

We will ignore the secondary employment generated by the increased use and distribution of cigarettes which put thousands of clerks to work to take care of public demand for a cheaper and better cigarette. But we can't ignore the fact that Uncle Sam, today, puts a consumer tax of six cents on each package of 20 cigarettes, selling for about 15 cents a pack. Those taxes brought the Government in 1936 more than \$425,000,000. Enough to have paid each of the displaced workers about \$5,600 a year. Enough to pay for the salary, on Government pay roll, of political hangers-on and henchmen to the number of approximately 150,000.

Let us hope that some, if not all of the displaced cigarette workers, got some of this Government employment gravy. I am afraid, however, that most of it went to politicians' friends and relatives.

I am not citing this as an indictment of taxation, nor as an argument for relieving companies, such as tobacco concerns of a revenue impost on profitable mechanization. But consider this point:

Invention and mechanization, in addition to helping the producing companies to prosper, enabled the Government to extract many billions of dollars from cigarette smokers without raising their cost of smoking. The companies prospered, the Government prospered, the consumer was able to have a better cigarette at no more cost. Every one prospered except the 75,000 unfortunates who found themselves out of jobs.

If only half of the Government pluckings in this case had been devoted to alleviating the cases of these displaced workers, they might have had a different attitude today toward improved pro-

duction machinery! Every dollar of increased taxation means one dollar less reduction in prices of products to consumers.

In 1934, the Westinghouse Electric Mfg. Co.'s tax bill was \$2,500,000. In 1935 it was \$5,000,000; in 1936 it was nearly \$9,000,000. For 1937 it was more than \$16,000,000. Records of other industrial companies tell the same story. What chance, therefore, has an industrial economy, which makes an average gain of not more than three per cent a year against a political economy which eats up savings through taxes at an accelerating rate of nearly 100 per cent a year?

Mounting taxation is steadily sabotaging our efficiency formula and making a quicker and more thorough job of it than is Communist action. Our golden goose lays plenty of golden eggs, but a constantly increasing horde of tax collectors is continually rifling the nest. The increase in annual Government cost since 1933 has amounted to \$7,700,000,000 or \$285 per American family. It represents what a blundering bureaucracy has done to offset industry's effort to benefit the consumer. It would be well for all Americans to ponder this fact before they accept the popular demagogic condemnation of the machine, mass production and monopoly. Every dollar added to the cost of Government offsets a dollar to cost saving and deprives the consumer, the worker and the investor of their possibility of participation in it. The public interest in machine improvement is paramount. The sooner the American consumer realizes that the fruits of mechanization, shared with him, as mass production industry has done, represent his one safeguard from being stripped bare by mounting taxation, the sooner will we be on the road to a sustained recovery.

## The Wage and Hour Law at Work

(Continued from page 34)

hourly wage rates have benefited, provided that their weekly working time has not been so reduced by the 40 hour maximum provision as to lower their weekly pay. In many cases such reductions in weekly earnings have doubtless been brought about by the law under discussion. However, in many other instances, the workers now receive in their respective pay envelopes more money than they did before the new law went into effect. On the face of it, this seems to represent a net gain for the laboring class.

However, more careful analysis shows that this conclusion is far from accurate, because it is based upon only one of several fundamental facts. The vital point overlooked is that the new law, by increasing hourly wage rates, increases the labor cost of the goods produced. Thus pecans shelled by labor working at 25 cents an hour will, in most cases, cost more than did the shelled pecans produced by labor working for ten or 15 cents an hour. Proponents of the new wage and hour law will say that the in-

crease in cost will be slight, and that consumers will gladly pay it to assure labor of a "living wage." For the sake of argument, let us assume that these statements are both true. Two facts, commonly overlooked but of fundamental importance, still remain:

1. "Many mickles make a muckle." Though the price increase for each article produced at the higher wage rate may be trivial, the aggregate of all such increases will probably be at least as large as the total amount of the wage increases.

2. The wage and hour law has not increased but actually decreased the total buying power of the prospective purchasers of the products. Total wage increases have been entirely offset by reductions in the incomes of the employers. Purchasing power of those workers who have lost their jobs has been reduced. The same is true of the taxpayers who support these newly-unemployed persons.

Since these two conditions prevail, it inevitably follows that, for every extra \$1,000,000 which the consumers of the nation pay for the products of the workers whose wage rates have been increased, these same consumers will per-



force cut down their expenditures for other goods by something more than \$1,000,000. Such a reduction in purchasing will mean the laying off of workers in other industries in which wage rates may be either high or low. These workers will not suspect that the wage and hour law had anything to do with their loss of employment. Mr. Andrews will not add their numbers to the aggregate of those displaced by the law which he is administering.

They are truly the "forgotten men," yet justice requires that they, as well as the pecan shellers, be counted among the victims.

### Supply and demand of labor

FOR nearly a decade, the nation has been suffering severely either because of a lack of understanding of the fact or a refusal to face the truth that labor is governed by the general law of supply and demand. Just as there are various grades of merchandise, there are various grades of labor. Low-grade merchandise must be offered at a low price or it cannot be sold. Low-grade labor must accept a low wage rate or it will remain idle. Setting a legal minimum price of \$15 a pair for shoes would not benefit the maker of poor quality shoes, because it would stop the sale of such shoes. Thereafter only high-grade shoes would find a market. Most people would make their shoes last longer, and hence the number of shoes sold would diminish greatly.

Similarly, setting a minimum wage for labor merely makes it impossible for the less efficient laborers to find work. The higher the minimum wage, the greater the volume of unemployment and the larger the number of persons on relief.

Whatever jewels the present regime may possess, consistency is certainly not one of them. On the one hand, we find strenuous efforts to reduce prices to increase the volume of sales. On the other hand, we have the National Labor Relations Board striving vigorously to unionize all labor and force up wage rates. The net result is our huge volume of unemployment, persisting in time of boom as well as in depression.

### Paid for production

UNDER free competition, labor is paid according to its productivity value, and wages advance as fast as productivity advances—and no faster. In the United States in the past century average productivity more than trebled, and real wages likewise more than trebled.

Now we are observing the attempt of a combination of government and labor monopolies to force wages to advance faster than productivity. The inevitable result of such an artificial inflation of wage rates is diminished employment. It follows that, as long as we endorse or support the Wagner Act, the resulting control of labor by the unions, and minimum wage legislation, we have no right to complain if the W.P.A. waxes stronger, relief charges mount, taxes climb, the budget remains unbalanced, and inflation lifts its ugly head higher and higher.



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# Congress Will Check Up on Past Legislation

(Continued from page 22)

ity opinion seems to be that it is impossible to draft a neutrality law which would be an ironclad guarantee against war.

The trade agreements act expires in 1940. Secretary Hull is believed to have enough strength to force a favorable vote on continuance of his trade program, but there will be disagreement from districts or states which are most affected by certain imports and there has been some talk of opposition by organized labor.

Prominent legislators have already announced their opposition to an increase in immigration quotas for the benefit of European refugees, but efforts will be made to project quotas into the future in order to handle the tremendous pressure for immediate admittance.

The Dies Committee is expected to recommend a bill to tighten up deportation laws to make it less difficult to send undesirable aliens back home and a bill to restrict propaganda on foreign "isms."

Much has been said about diverting W.P.A. labor to defense projects, but Congress will be concerned primarily with taking over direct control rather than checking up the practicality of employing unskilled labor on technical defense jobs.

## Spending may be earmarked

MOST observers believe that the swing to the right in the November elections was partially the result of dissatisfaction with the Government's spending policy. W.P.A. was pointed to as the obvious example. It is doubtful that a lump sum for relief will be authorized again.

Efforts will be made to earmark funds for definite projects and to decentralize W.P.A. with more control in the hands of local authorities.

Some sections of organized labor have suggested the transfer of the larger W.P.A. projects to P.W.A. where contracts are awarded on the prevailing-wage basis. To give an indication of their feeling, the A.F. of L. convention at Houston passed a resolution stating that W.P.A. is encroaching more and more on established industry by instigating and developing projects which properly belong under, and should be conducted by, the contract system—"It (W.P.A.) is becoming more and more of a permanent nature rather than of an emergency character."

Changes in the Social Security law have been put off for two years—it will be difficult to keep proposed amendments to the Act from at least vigorous debate in this session. Most likely proposal to get action is that asking increased benefits for workers who are now, or soon will be, 65; or the proposal to advance the date of starting payments from 1942 to 1940. Advocates of these proposals want beneficiaries to re-

ceive a minimum of \$20 or \$30 a month regardless of what each has paid into the government fund.

Administration forces as well as a good number of the newly-elected legislators are generally in favor of expanding the scope of the Act. They want to bring in various groups not now included and increase the period of payments in some cases. The possibility of including farm and domestic help is, however, by no means certain. An acceptable method for including them is still the troublesome factor. An incentive tax which would give a proportionate tax exemption to firms with private security plans has received publicity from the activities of the Profit-Sharing Committee, but there is no unanimous agreement for it.

Rejiggering of the unemployment provisions to include the disabled and ill is also an amendment possibility.

## No cut in security tax

ALL these expansion plans for old-age insurance constitute a ready-made excuse for maintaining the present tax, scheduled eventually to reach six per cent of the pay roll. Supporters will claim there is no chance to slice tax payments until experience has proven how much money is necessary.

Attempts to cut the reserve fund and adopt a pay-as-you-go plan will likewise probably be hushed. Legislators have been told they mustn't talk about this because of the radical pension plans proposed and voted on in various states; that if they oppose the federal plan something worse may happen.

Further plans for government benevolence will be advanced under the popular mass appeal of health insurance. This makes a good issue to attract attention when there is trouble in other sectors and you may expect to hear a deal of oratory on the subject.

## Farm program is indeterminate

NOT much is known about what will be proposed for agriculture. The large vote against the Administration in farm areas is regarded as a protest against excessive spending and what the farmer considered low prices for wheat, corn and cotton rather than direct protest against A.A.A. Farmers are not yet sure they want to abandon crop control although it irks them. Their representatives in Congress might try a substitute measure but, if they do, it is likely to cost more than the A.A.A. or soil conservation acts.

Some still favor price-fixing similar to that proposed in the McAdoo-Eicher bill which failed to pass the Senate last session by only six votes. It would guarantee cost of production to the grower for all domestic sales. He would receive a certificate for his export portion which could be cashed when the grain is sold to a foreign buyer.

Another proposal similar to the old McNary-Haugen bill would give the farmer an outright subsidy for the difference between the price he receives and parity as determined by the Agriculture Department.

Congress will have to decide whether to give farmers more outright subsidies or intensify government control of planting.

Legislation to aid any effort that will promote increased consumption of farm commodities will be suggested. Recent conferences on mattresses, grapefruit and cotton helped to lay the groundwork for more cooperation toward this end between government and agricultural trades. The two-price plan was largely a feeler and helped to advertise the need for finding additional ways to use cotton.

Strong opposition to processing taxes would seem to preclude their reenactment.

The vote on agricultural legislation will split party lines wide open and a congressman's approval will be determined largely by the number of farmers in his district rather than by his party label.

## Railroads need money

ONE of the real down-to-business issues confronting the 76th Congress is railroad legislation. How much and how far it will go is a matter of speculation. The rail heads would like to see rate provisions of the old Transportation Act restored thus returning to a definite rate base.

Rates are now determined more or less on what I.C.C. officials think the traffic will bear after they hold hearings of interested parties. There will be strong opposition to any such change, but it appears possible that a compromise which will provide additional revenue can be worked out.

Consolidation and consequent elimination of wasteful competition and duplication of service is generally recognized as a major need of the railroads. Railroad men point out that progress has been blocked by consolidation provisions in the Transportation Act which largely disregard profit-making possibilities and demands maintenance of all possible competition even in areas where the traffic is not heavy enough to support more than one railway. They believe the roads should be allowed to consolidate according to the natural advantages each enjoys.

A different treatment of the problem is being advocated in some government circles through the appointment of a transportation authority either as a separate agency or creation of a new Cabinet department. The new authority would develop and promote plans for combination with the suggestion that compulsory consolidation be effected either at once or after a limited period. Business is unfavorable to this arrange-



ment because it believes greater progress will be made if the initiative is left to private interests.

There will be talk of such extreme measures as forcing the railroads to repudiate their debts, but authorities agree that this is a poor time to reorganize the financial structure of insolvent roads and solvent roads have suggested "compositions," whereby interest charges may be reduced, as a better remedy than outright debt cancellation.

### Relief for transportation

OTHER railroad relief measures suggested are repeal of land grant statutes which provide free transportation of government goods on some roads; construction of grade crossings by government units at less cost to the railroads; government reconstruction of railroad bridges which must be rebuilt in connection with flood control projects; abolition of the undistributed profits tax; disposal of government barge lines to private parties; abandonment of such things as compulsory maximum train lengths and minimum crews.

Unless present indications are false, the Government will offer loans to tide the carriers over the present emergency and encourage spending for new equipment, but rail chiefs hope that more fundamental legislation will be enacted. Many of them feel that a borrowing spree will only postpone the fatal day.

Retailers will be specifically interested in the fate of the Patman bill to check chain store growth. There is strong and organized support on both sides, but there is a possibility that it may never get through the Ways and Means Committee because of the press of other matters. Organized independent retailers will ask for its passage, but there is not perfect accord among them.

In general, newspapers, labor unions, consumer organizations, farm groups and real estate associations are against it. Nevertheless, it may get through on a political trade.

To summarize, Congress faces enough vital issues to keep it in session for many months.

To those here listed should be added monetary legislation; investment trust regulations, branch banking; regulation of bond holders committees; efforts to put teeth in the Interstate Oil Compact; renewal or change in the Connally Hot Oil Law; merchant marine, aviation and communications legislation. Senator Borah may introduce another licensing bill and perhaps the Monopoly Committee will release findings that will result in a furore on Capitol Hill although no recommendations are expected from its investigation at this session.

But regardless of all the questions confronting it, the opinion prevails in Washington that the brake against left wing legislation was set last November. The brake may slip occasionally but the march toward socialistic tendencies seems, at least temporarily, halted. Neither is an abrupt about face expected. Most of the action will probably be vocal and with few exceptions, our laws probably will be left in about the same form as they now are.

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D. H. FOOTE, Secretary-Treasurer.

San Francisco, California.



## So You'd Like to Reduce Your City Budget

(Continued from page 19)

to give all vendors a chance to quote prices? This is done in Cincinnati. We are told that our city doesn't have such an arrangement but that it will be tried.

Does our city buy commodities like janitor and office supplies, construction materials and other much-used items, once or twice a year in quantity lots at wholesale prices? Or, do we buy them in little dabs and pay retail prices? Do our departmental store-rooms have in-and-out inventories so that they always know just what supplies are on hand?

Is our municipal stationery well standardized or does each office have its own style of letterhead, possibly with the name of the present commissioner plastered over the top in large letters?

Does each department purchase its own gasoline in tank-wagon lots at tank-wagon prices or does the city have a central tank which can accommodate a consignment by tank car at tank car prices?

Members of the committee with experience in purchasing for large corporations scan some of the city's specifications to see whether they embody high standards or are designed to exclude every one but favored vendors. The same men also check some of the purchase orders to see if the city is paying needlessly high prices.

We now come to that municipal migraine—the city's motor transportation expense. One of our committee members opens up with indignation:

Last fall when I was hunting up in Hamilton County, I saw one of our city park department cars loaded with city employees. Of course they were on city business up among the pheasants.

Inquiry reveals that a number of city employees who use city-owned cars are permitted to take them home at night on the excuse that they are liable to emergency calls. Questioning by the committee reveals that these night calls are actually few. Our committee then suggests that all city cars, except those in the police department and one or two others used by workers who really are called at night should be kept in a city garage at night and that all city cars be conspicuously labeled "City Property."

This discussion reveals that the city has three or four separate departmental garages. The committee recommends that the council inquire about the Milwaukee plan of centralizing the maintenance and repairs of all municipal motor equipment in one bureau and letting out cars and trucks to departments on a rental basis with appropriate inter-departmental charges. Long Beach reports a saving of \$35,000 a year by centralizing the handling of its motor equipment. A few years ago, Pittsburgh found it more economical to use taxicabs for the transportation of inspectors and other city employees.

What monthly allowance does the city grant to an employee for the use of

his car on city business? A few years ago one city granted \$60 a month to the city physician and others who actually drove only a few miles a month on public business. From \$30 to \$40 a month now is the prevailing allowance to city workers such as inspectors who use their cars continuously.

The only accurate way to measure the use of private cars on city business is to make an allowance of three to five cents a mile, based upon morning and night readings of a speedometer.

We now look at the city's next year's requested tax levies to pay the interest and principal on its outstanding bonds. The City Treasurer tries to shoo us away with the warning that this expense item is fixed and cannot be changed. We agree with him but continue our scrutiny.

### Bond funds bear scrutiny

OUR SEARCH uncovers several bond funds which contain excessive balances. We find this in the case of several bond issues which will be paid off next year and which do not require the large tax levy which the Treasurer has asked. So, we are able to prove to the council that this bond levy can be substantially reduced. At the same time we recognize the necessity of maintaining ample balances in bond funds to avoid a bond default. We also find that, in one bond account, the Treasurer has certified a principal payment of \$50,000 next year when it should have been only \$25,000, merely a clerical error, but its discovery saved the taxpayers \$25,000.

These are the major points of scrutiny in a municipal budget which the average citizens' committee has the time and facilities to cover in ten days or two weeks. This cursory check-up may show the committee the need for a year-round watching of public expenditures in the form of a bureau of municipal research or taxpayers' association with a full-time trained investigator in charge. This is the practice in a good many cities. Details may be obtained from the Governmental Research Association, 1313 E. 60th Street, Chicago, Ill.

Suppose we now scrutinize the county or school budgets. The same tests relating to salaries, number of employees, building maintenance costs, motor transportation and purchasing can be applied to these appropriations.

A simple yardstick to test the economical operation of a school system is to ascertain the ratio of the number of pupils to each teacher because teachers' salaries constitute the largest single item in a school budget. If this ratio is less than 25 pupils to one teacher in high school and 30 pupils per teacher in the elementary schools the teaching force may be too large.

From the National Education Association in Washington and the biennial reports on city school systems issued by the U. S. Bureau of Education, Washington, comparative statistics on costs,



salaries of teachers, number of school buildings and enrollment can be obtained.

But sad to say, these yardsticks only measure costs. They do not reveal whether our schools are doing a good job. A recent New York state educational survey revealed that the best educational results, determined by special tests of 70,000 pupils, were not found in the most expensive schools.

Here are a few tests which we apply to our county government—the cost per inmate per year in the county poor farm, juvenile and other institutions; the cost per patient day in our county general and tuberculosis hospitals; the *per capita* costs to operate the offices of the county auditor, treasurer, recorder, sheriff and courts among others. To see if our costs are high or low as compared to other counties, we refer to the annual reports on county finances published by the state auditor's offices in many states.

Our committee is bound to face that bugaboo of modern public budgets, poor relief costs. We find that the total annual expense to support our poor, including W.P.A. aid from the federal Government, about equals the combined costs of our city and school system.

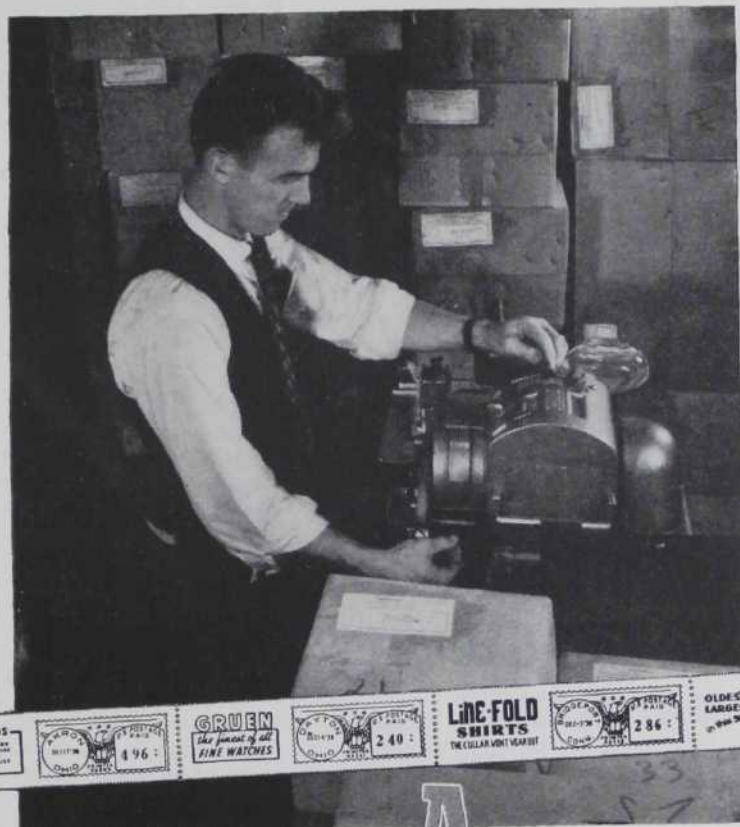
Again we search to find out whether or not our poor costs are out of line with those in other communities. By referring to the monthly bulletin, Public Assistance, published by the U. S. Social Security Board, we learn how we rank with respect to monthly payments for direct relief, old age assistance, blind pensions, aid to dependent children and W.P.A. outlays. Letters to counties or cities of our population group will obtain for us the number of persons in these different relief groups which enables us to equalize our costs with those in other places, on a *per capita* basis. The number of cases handled per social worker is another yardstick. But we may be ashamed of ourselves when we see the heavy case burden on each worker and the small salaries they receive.

The use of mechanical devices helps to reduce budgets. Politicians veer from this economy because machines cannot vote but public employees can.

### Getting more for the money

IF these machines are bought not as "labor saving" devices but as "service increasing" facilities there should be less objection. For example, in one sizeable mid-western city, residence streets were cleaned only about twice a year by a hand labor crew. The street commissioner, after agreeing not to discharge a man, bought a pick-up sweeper. This machine, with the aid of the same crew, now cleans residence streets about five times a year. Here was a case of vastly more service at slightly more cost.

Among other service-increasing mechanical contrivances which every city or county should have are: bookkeeping machines for accurate and speedy accounting and to spread assessments and taxes; automatic addressing machines, a photographic apparatus to reproduce legal documents such as mortgages and deeds which must be



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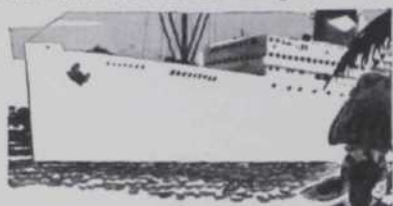
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copied for record; voting machines, a postage-registering machine which stops the private use of stamps; a sewer catch-basin cleaner to pump out sewer manholes, besides road and highway equipment including snow plows, graders, scarifiers and others.

Our budget scrutiny to this point has been confined chiefly to costs. We have not discussed the equally important factor of the quality of services rendered.

Our city *per capita* costs may be low, but, at the same time, we may not be getting the public services which our tax money should afford us.

### Yardsticks of service

UNFORTUNATELY, only a few yardsticks to test the adequacy of public services have been devised. Here are a few crude ones. If your annual *per capita* fire loss exceeds \$2, it does not look as though you are receiving adequate fire protection. The fault may not be with the department itself, but with lax building laws, inadequate water facilities or some other factor. You can gauge the ability of your police department from the quarterly and annual reports by the Federal Bureau of Investigation which gives the number of major crime complaints in each city. The basic yardstick of police efficiency is the percentage of crimes cleared. Garbage and refuse collection, twice weekly in summer and once in winter, as well as its sanitary disposal, ought to be provided in the average community for between three and four dollars a ton.

Our budget committee can measure the adequacy of our public services by referring to a recent book entitled "Measuring Municipal Activities" by Clarence E. Ridley and Herbert A. Simon which is the latest and most condensed work on the subject.

Just as Marco Polo and his uncles returned from their explorations in China with many new ideas, so the members of our tax budget committee have returned from their expedition into local city, school and county budgets with some new ideas. Here is the way one member expresses it:

I'll never lose interest in our city or other public budget after this experience. But it has showed me that our greatest need is a stabilization of our property tax rate over a period of years. The uncertainty about our future property tax levies and rates discourages prospective home-buyers and investors in commercial properties. This condition depresses our community wealth and income.

I believe the only way to allay this uncertainty is to set up a ten-year budget, not only for our normal operating cost of city, county and school governments but also for our capital improvements as well.

This would not be as difficult as it sounds. A strong committee or commission would be set up composed of representatives of our taxing bodies and our layman's organizations. First this committee would study and forecast the probable wealth and income of our city for the next ten years. Then it would study the probable reasonable operating needs of our city, schools and county. Next it would schedule by years the necessary capital improvements in the form of new sewers, schools, fire stations and the like.

Finally this committee would reconcile

our probable wealth and income during the next decade with our budgets of operating expenses and capital improvements in terms of a stabilized tax rate for each year.

Then, by means of a city-wide educational campaign, the committee would seek public acceptance of this plan as well as assurance from city, school and county officials that they would abide by this program, barring unexpected catastrophes which would necessarily alter public policy.

What have been the tangible results from this ten day to two weeks' work by our hypothetical committee? The chances are that, if ours is an average city which never before has been subjected to such a going-over by an intelligent citizens' group, the latter will be able to suggest reasonable reductions of at least ten per cent of the tax levy requested. This can be done without imperiling present services.

A reasonable mayor and city council probably would adopt many of these suggestions.

And all this has been accomplished at a cost to the committee members of only an hour or two a day, with possibly a few extra hours thrown in for city hall conferences over two or three weeks. If such an effort with such results isn't worth while to a few public-spirited citizens then civic spirit in our city is at a low ebb.

### A Doctor Looks at Socialized Medicine

(Continued from page 28)

keep of their public wards; county, city, state and federal public health departments; medical departments of the Army, Navy and National Guard; and the colossal expenditures for the benefit of war veterans, we now have medical features in Social Security and relief administration.

The annual tax bill to support all these activities runs to a stupendous figure. Therefore, it should be realized that so-called free services are not free. They must be paid for, always with an added 30 to 40 per cent for administration and inefficiency. It costs Atlantic City, for instance, \$32,380 to administer \$108,000 in one year.

With all these billions spent collectively for health, why are we not a nation of perfect people, physically? Why are we instead so much in need of a biological purge? Because it is impossible to buy our way to perfect health. There is a large hereditary factor in health. Statutes will not make the public medical minded, however available they make advice and help.

These social schemes are not inventions of the organized medical profession. They are part and parcel of the cooperative experiment called socialism or collectivism which attempts to avoid the rigors and chastisements of Mother Nature in her effort to improve the human race. It is not new; decaying civilizations have destroyed themselves in the effort to preserve the weak at the expense of the strong.

Just now we hear much of three-



cents-a-day hospitalization schemes. Private insurance is based on risk and frequency with which benefits are used. The more hazardous an occupation is, the higher the premium rate for a definite coverage. These group hospitalization plans ignore such precepts of insurance. They discard both risk and ability to pay and are therefore economically unsound.

The three-cent rate is based on an expectation of approximately 6,000,000 hospital admissions a year. But they are increasing so rapidly that in 1937 there were 10,000,000, and in a few years, under the present socialization impetus, it may easily reach 15,000,000. That will bankrupt the socialization plans. Then the politician will step in with government subsidies, because he sees a great source of power waiting to be capitalized.

Civilization's greatest handicap is the fact that it cannot withstand the promulgation of fool ideas oft repeated. Liberty has nowhere been so prostituted as by government, in the name of social justice. When once given to government, liberties rarely can be recovered. Bureaucracy once established is seldom abolished. Usually it is absorbed by some larger and more powerful bureau. Such is its self-perpetuating character.

The cost must be paid entirely by individual effort. Those who have tasted power do not want to return to that community of effort upon which government feeds. Instead, they keep on maintaining themselves by dispensing new jobs—unearned plums—to their supporters.

City, county, state and federal governments are symbols which mean you and me, yet the average person when given a chance at the public treasury

will dissipate the funds as freely as if the government were a separate entity with independent earning power. Really it is the most hungry parasite that saps the fruits of our labors. Today about 30 per cent of the people's income goes to its support. Government's unlimited taxing power is the power to destroy. The more people in government the more who are removed from production, the fewer the producers left to carry the load.

### Leave a chance to advance

WE MUST unshackle the individual and permit him to move forward to meet his necessity, because it is by the stimulus of necessity that civilization advances. Eliminate all the licensing systems not definitely necessary for the protection of society. Remove all unnecessary controls and restore government to its rightful principal function of police duty.

Let us beware lest, in our desire to be kind to the weaker brethren of today, we are more than unkind to the brethren of tomorrow.

The right sort of medical service can best be assured to all by keeping the mastery of our own dollars. The future of public health must center around the family physician who with his bag and office equipment still cares for 92 per cent of the nation's illness.

The treatment of illness must remain a profession. Now, what constitutes a profession? Personal service! It cannot be standardized. There is an intellectual character to this service, with considerable self-direction and individual responsibility. There can be but one master in the house of medicine and that is the doctor himself.

## Shake Hands with Our Contributors

WHEN THE new Congress convenes January 3, one of its first and paramount duties will be to act on the federal budget. NATION'S BUSINESS asked **Lawrence Stafford** to point out the direction which Congress is most likely to take—whether it will tighten up or loosen the Government's purse strings—how it proposes to raise the tremendous sums needed to pay current expenditures and what new appropriations may be added. Mr. Stafford is a Washington newspaper correspondent who specializes on government fiscal policies.

**C. A. Crosser** is secretary of the Bureau of Municipal Research, Des Moines, Iowa. He is noted for the part he played in bringing citizens and city officials together in a united, successful effort to reduce expenditures. His recommendations for the benefit of citizen groups who are bent on tax reduction may well become a pattern for other communities to follow.

**John H. Van Deventer** is editor of *The Iron Age*. He served from 1905 to 1914 as a factory superintendent in Seneca Falls and Buffalo, N. Y. Entered the publishing field as an associate editor of *American Machinist* in 1915. Helped organize the U. S. A. Ordnance Dept. in 1917 and was honorably discharged as a major in 1918.

**Neil M. Clark** will be remembered by NATION'S BUSINESS readers as the author of "These Tremendous Years" which appeared in this magazine in May, 1937, in commemoration of the U. S. Chamber's twenty-fifth anniversary.

**Dr. Ernest L. Shore** is a practicing physician of Atlantic City, N. J.

**Willford I. King** is a professor of economics at New York University. He is well known for papers and books on wealth, income and earnings of the people in the United States.

## Are You Worried about holding your job?



WHEN one of your fellow-workers is "let out"—does it make you wonder whether you're next?

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| <input type="checkbox"/> Higher Accountancy    | <input type="checkbox"/> Business Management     |
| <input type="checkbox"/> Law: Degree of LL.B.  | <input type="checkbox"/> Traffic Management      |
| <input type="checkbox"/> Commercial Law        | <input type="checkbox"/> Stenotypy               |
| <input type="checkbox"/> Industrial Management | <input type="checkbox"/> Business Correspondence |
| <input type="checkbox"/> Business English      | <input type="checkbox"/> Salesmanship            |

Name \_\_\_\_\_

Position \_\_\_\_\_ Age \_\_\_\_\_

Address \_\_\_\_\_



# Through the EDITOR'S SPECS

## Speaking of herrings

NOW THAT National Planning, Economic Discipline, Regimentation, et al., have had a bump, the starry-eyed boys are planning to launch a new one: "Social Controls." No matter how you spell it or pronounce it, it's a red herring.

The assurances that the billion-dollar armament to protect us against Peru and her neighbors will be financed without need of additional taxes should be scrutinized. There may be some fancy names for it, but boiled down they will spell taxes.

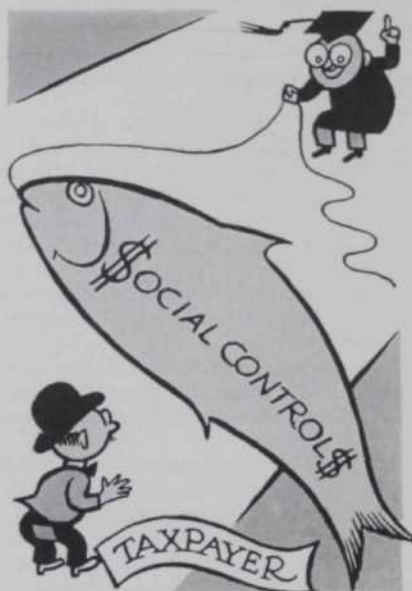
## Tugwelltown postscript

WE ARE flattered that our "Fever Chart of a Tugwelltown" (November issue) has been read to a Tugwelltown mass meeting by no less a personage than a professor at the University of Maryland who lives in that haven for those with low incomes.

The professor objects among other things to our quoting the \$16,000 average unit cost of a Greenbelt home renting at from \$18 to \$41. He says this figure includes the cost of land, streets, schools, etc., as well as houses. But any student in his classes knows that these things are paid for in one way or another by the man who owns a house or who lives in one. The professor says his wife enjoys living in Greenbelt better than in houses elsewhere under the profit system at twice the rent they now pay. Her thanks should go to all those citizens who, in addition to paying for their own land, sewers and streets, are also coughing up in taxes to make it possible for her to rent at half the normal rate.

An interesting outcome of the mass meeting is the assurance from other residents of Greenbelt that we have not yet told the whole story of Tugwell's Folly. They bring a reminder of such matters as the "functional" furniture specially ordered for this Village of the Future. Half of it is still lying unused in various warehouses because after all it could not be fitted into the decorative tastes of tenants. That which was delivered has not been billed to the residents or paid for.

Then there are the water meters that failed to record, the \$10,000 worth of radiator valves that had to be replaced after the first winter, and other slips that happen when bureau-



Watch for this one

crats spend "other people's money."

Our quarrel is not with the residents of Greenbelt and like communities who are the subjects in this government social laboratory. Theirs is not the responsibility for the failure. Our concern is with the tragic waste of which it is but a symbol. Every dollar thus flung to the winds is taken from that which previously went into wealth producing enterprises. Nor has there been any compensating gain to place to its credit. The yardsticks of politics are never yardsticks but only extravagancies. While unemployment and universal anxiety are still with us, the burden of proof remains with those who have been promising prosperity through "pump-priming."

## "Making America over"

IF SECRETARY Wallace has his way it may not be long before this sort of conversation will be heard in grocery stores:

CUSTOMER: I want two pounds of T-bone steak, a dozen of your best eggs and three cans of pineapple. And, mind you, that's at the lowest prices.

GROCER: Sorry, Mrs. Sponge, we'll have to charge you Schedule B prices, the middle scale. All Schedule C cards are suspended temporarily. Too much bootlegging.

Secretary Wallace's experts have made a survey and it shows that everyone in the country needs his vitamins and can have them. To supply

them to the ill-fed third and at the same time to subsidize the farmer, he proposes a two-price plan. As it unfolds no doubt there will be a third price for good measure. Then steak may be 20 cents a pound to the proletariat, 30 cents to the bourgeoisie, and 40 cents to aristocrats, Tories and economic royalists.

Students of revolution will not be astonished at the parallel here with Lenin's NEP (New Economic Policy) set up in Russia in 1921. It placed government distribution of goods in competition with private distribution. In spite of all the enormous disadvantages under which private dealers were forced to operate, they actually were winning the race when Stalin began the liquidation of all private business as "speculation."

## Shotgun cooperation

MR. WALTER PIPPEL was brash enough to confess in October NATION'S BUSINESS that he was no longer a "desirable citizen" in the Government's Utopia in Matanuska, Alaska, because he "soon realized that if the Pippels were to make any money it would be because we got in and worked and didn't wait until the Government did something more for us." Now he finds himself in court contesting the claim of the Alaska Rural Rehabilitation Corporation (a United States Corporation) that he must remain in the colony's marketing cooperative.

## Red tape

ON the bulletin board at the Oswego (N.Y.) Federal Building in November appeared a notice that bids in triplicate would be received on 12 cakes of soap at 11 o'clock Friday morning, December 2, at the Post Office. The soap sells for about five cents a cake. When the time of employees along the line from Oswego to Washington is taken into account, the soap will cost taxpayers a dollar a cake. This is typical of the extra cost of having things done by government agencies, whether buying soap or building dams.

## Where Economic Royalists come from

LOUIS S. CATES, president of the Phelps-Dodge Corporation, awarded the annual medal of the American In-



stitute of Mining and Metallurgical Engineers, started his mining career as a timekeeper in 1903.

Sewell L. Avery, retiring president of Montgomery, Ward & Co., can remember when he was a farm boy in Maine.

George F. Johnson, chairman of the board of Endicott-Johnson Co., made \$3 a week and worked ten hours a day on his first job. At 40 he was earning \$4 a day in a boot factory.

Charles I. Luckman, at 31 the new vice president and general manager of the Pepsodent Co., went to work first in 1930 as a retail salesman.

James J. Welch, vice-president of the Western Union Telegraph Co., who died recently, learned the Morse code when he was working at a small railroad station in Iowa.

## Two pictures

THE MAGAZINE, *Public Ownership of Public Utilities*, prints the picture of a Knoxville mill owner with a broad smile. The smile is occasioned because he says T.V.A. has cut his electric bill \$1,000 a month. A crusty subscriber, who sent in the item, suggests "Print the dour picture of a New England or Carolina mill operator whose tax money made the T.V.A. mill owner smile."

## A new concept of monopoly

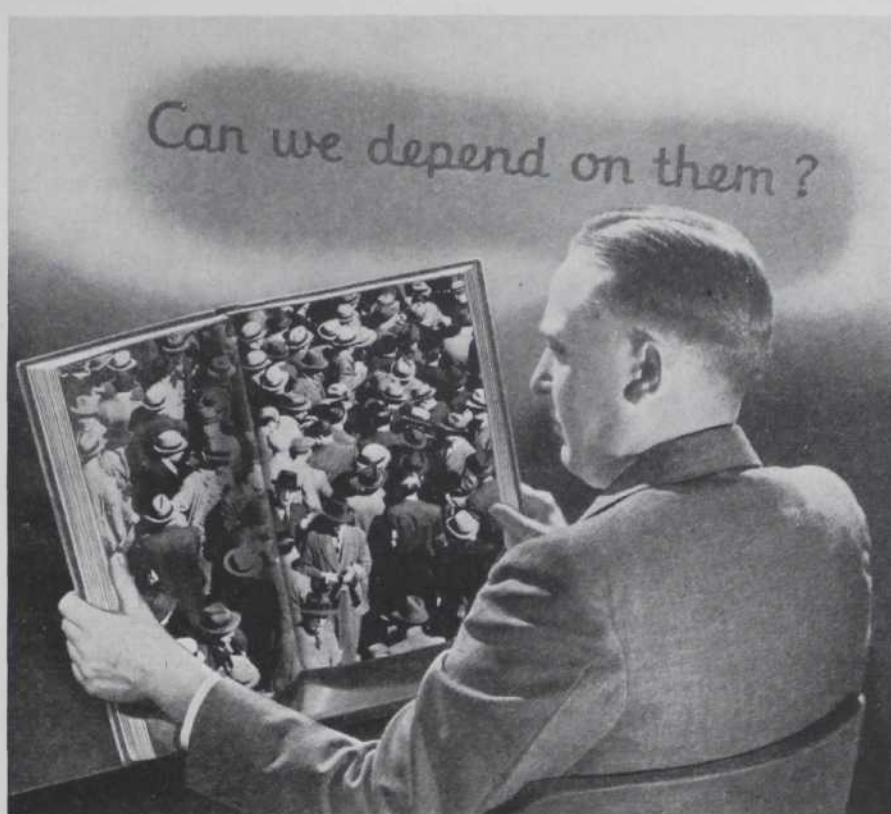
SUCCESSOR to Professor Tugwell as the most fantastic theorist among the select company of Washington's Great Sanhedrin is Professor Arnold, assistant attorney general. It is doubtful if even Tugwell in his balmyest days ever went to the dizzy extreme reached by Arnold in his statement on the Ford-Chrysler auto finance case:

Monopoly is fostered when advertising is used to put competition at a disadvantage for the sole reason that they (sic) do not have resources sufficient to expend equally large sums in advertising particular products or the services of particular companies.

Laying aside the question of Professor Tugwell's better handling of English grammar, if the assistant attorney general by law restricts a firm in selling its goods by the printed page, would it not be logical in restricting it in selling by spoken word through salesmen?

## Resources of the spirit

AN ECONOMIC research organization has discovered that those persons who before the depression of 1930-33 were fairly secure financially seem to have made themselves more secure since. The naked truth is that some people have what it takes to acquire



Copyright 1938, American Credit Indemnity Co. of N. Y. W22

# Receivables are *People*

*People* buy goods. *People* pay bills or don't pay them. Ledger entries are simply memoranda of "moral obligations" of the men who buy your merchandise.

Thousands of shrewd executives lend capital liberally to customers, in the form of merchandise, without releasing or relaxing their guardianship of the firm's funds. They simply cover all receivables with

## American Credit Insurance

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Investigate the downright economy of establishing a reserve for losses with an American Credit Insurance policy. Any "American" representative will give you the facts.

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# FACTS about TAXES

"SHOULD be required reading for all Americans" is what many newspaper editors are saying about *Facts about Taxes and Public Spending*, a 15-page pamphlet recently issued by the Chamber of Commerce of the United States.

Its statistics, taken whenever possible from official sources, give the answers to questions many business men are asking today, such as: How high is our national tax bill? How much does government spend? Where does the money go? How big is the public debt? Are taxes higher in Great Britain than in America?

*Single copies are free upon request. Larger quantities obtainable at 2c each plus transportation charges.*

## FINANCE DEPARTMENT

Chamber of Commerce of the United States  
WASHINGTON, D. C.

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15.00 OR LESS, DOUBLE

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Onliwon Towels and Tissue

Write A. P. W. Service, Albany, N. Y.

See  
**WOODSTOCK**  
TYPEWRITERS

economic security and others do not.

Why is it that one family will retain one or more members on somebody's pay roll while another relies on relief? Luck is the usual answer, but it won't wash. The difference generally is in the individual, not in circumstances or environment. One would reach his goal of security in a horse and buggy; the other would be a dead-head passenger on the China Clipper.

### A tale of two worlds

A VISITOR from Central Europe cited a few personal observations:

A small merchant in Vienna had an automobile which was commandeered by the Germans for official use. But each month he received a bill for gasoline, oil, repairs and all other costs of operating the car.

A truck driver in Prague wanted to move to another city but couldn't. First, he must go to the authorities and get a permit to leave. This had been refused. Even with this permit, he would have to obtain permission from officials in the other city before he could seek a job. This regulation prevails in Germany, too.

These things are defended in Europe as "social discipline" necessary to meet hard conditions. But in the past this country has met and conquered harder problems without succumbing to a dictatorship. Writing in 1865, just after the close of our Civil War, a French statesman, Charles de Montalembert, said of the United States:

The nation which has learned how to pass through such terrible trials without giving herself a master has evidently received from heaven a moral constitution, a political temperament, quite different from that of the turbulent and servile races which know not how to secure themselves against their own blunderings but by precipitating themselves from revolution into servitude.

If this sentence could be written in letters a mile high there would be hope that all might read and understand.

### Signs of sanity

VOTERS of 291 municipalities in November said thumbs down on municipal spending. Eighty-nine millions in bond proposals out of \$100,000,000 proposed were rejected by citizens. Defeated projects outnumbered approvals almost three to one. Many of those defeated carried with them "gifts" from the federal Government.

### No tools, no work

IT REMAINS for the Chesapeake & Ohio Railroad, at its annual meeting of employees, to point out what has

been forgotten in all our recent labor conflicts: that somebody has to supply the tools. This tool-supplier has been the forgotten man. For each job of a railroad \$25,000 in tools must be provided. In the automobile industry it is \$12,000 per job. The average amount needed to employ one man on industrial jobs is \$8,000.

It is very well to say to a manager of a business: You ought to employ more men. He himself may have not only the desire but the feeling that if he had more men employed there would be people to buy the additional production. But his problem only begins. He must find men and women with dollars who are willing to turn over to him those dollars to provide the plant and tools with which these additional men are to work. That is what economists mean when they say that a lack of enterprise capital prolongs excessive unemployment.

### Truth on the screen

"IN 1880 about 35 per cent of our population had jobs. By 1930, in spite of growth of population, increased use of machines and the 1929 crash, those with jobs had increased to 40 per cent."

This is one of the captions showing how American business has assured to citizens "The Right to Work," in a film with that title produced by National Defenders. The film is an entertaining and inspiring epic of America, one that helps greatly to correct some of the popular fallacies which NATION'S BUSINESS has been exposing. It will be lent without charge to civic organizations, clubs, schools, churches, etc., that wish to display it. Write National Defenders, 542 Fifth Avenue, New York City.

### The whirligig of economics

THE DEPARTMENT of Agriculture proposes as a solution to the corn surplus (estimated at 495,000,000 bushels) a campaign to popularize mush.

TWENTY BOYS from the Hazleton, Pa., high school working on W.P.A. jobs were rounded up by the town's truant officer and sent back to their books.

A QUARTERLY STATEMENT required of W.P.A. workers has disclosed that in New York City alone 7,500 report other income than that received from the Government.

HAVING disposed of the power and fertilizer problems, the T.V.A. turns to office efficiency. Its new film showing how index typists increased their output 803 per cent by time and motion study sets still another yardstick for business.



WORKS PROGRESS Coordinator Doody announces that \$9,000 has been set aside for counting and mapping every light bulb in Peabody, Mass. The trees in Peabody already have been counted.

THE ZEAL with which Republicans and newly-elected anti-New Dealers are vying with the pseudo-liberals to expand pensions only fore-shadows a bitter congressional fight to see who can first give away what's left of the country.

### Flowing coal

COAL DELIVERED hundreds of miles from the mine by pipeline is among the coming developments to marvel at or worry over, depending on whether or not you happen to be in the fuel business. We learn that one of the big oil companies thought enough of the idea to patent it.

The coal would be ground to powder, then mixed in water in which it is suspended by the addition of a small amount of soap, so that the solution can be pumped through pipelines. At the point of delivery the addition of lime would cause the powdered coal to settle. It is proposed then to compress it into bricks for furnace firing.

Pipelines already are a major means of transportation for petroleum and gas. Mileage in the United States is nearly half that of the country's railroads. Crude oil moves at about three miles an hour and some 40,000,000 barrels are in underground storage at any one time.

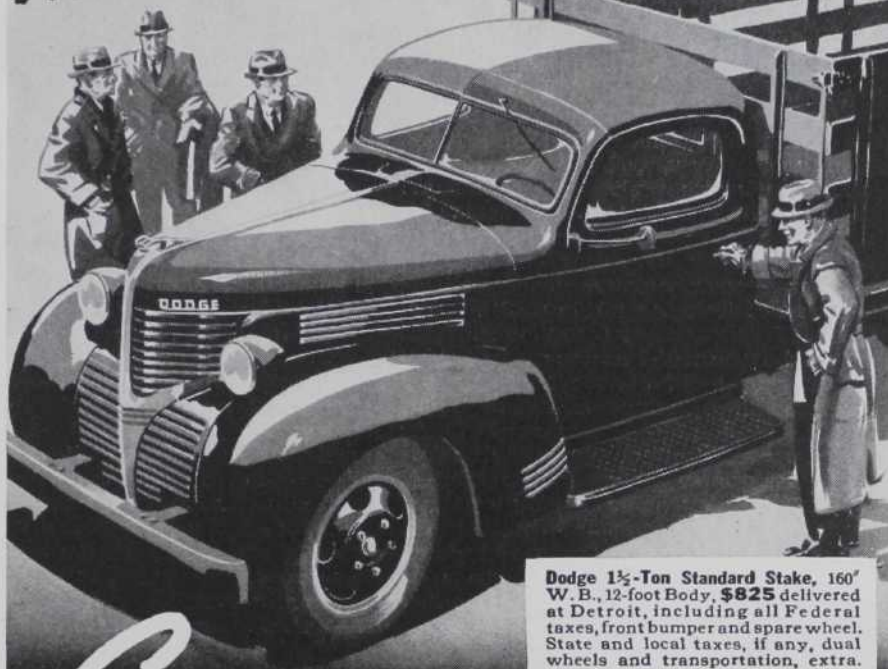
### Words without sense

IF YOU want to help repatriate and rehabilitate those American adventurers who went to Spain to fight for Communism and now can't get back home, you can send your contribution to the Friends of the Abraham Lincoln Brigade in New York City. "The conscience of America must answer this appeal!" flames a headline in *The Nation*.

Truly men who loved peace, to whom the bestiality of war was a sickening horror. . . . All will return to the homes and the loves they left, to fight for that right which is more precious than peace. . . . They offered to give their lives—what will you give? . . . Peace . . . freedom . . . liberty . . . conscience . . . democracy . . . the empire of right . . . our ideals . . . Abraham Lincoln.

We may belong to the group "too dumb to understand" but that gibberish is Sanskrit to us. We'll give a year's subscription to the one who translates it—dictionaries and Ph.D.'s not barred.

# TAKE A TEST... THAT'S ALL DODGE ASKS!



Dodge 1½-Ton Standard Stake, 160" W.B., 12-foot Body, \$825 delivered at Detroit, including all Federal taxes, front bumper and spare wheel. State and local taxes, if any, dual wheels and transportation, extra.

## SEE THE EXTRA QUALITY BUILT RIGHT INTO THESE NEW 1939 DODGE TRUCKS



Dodge ½-Ton Panel, 116" W.B., \$680 delivered at Detroit, including bumpers, 4 double-acting shock absorbers, and spare tire.



Dodge 1-Ton Stake, 133" W.B., \$790 delivered at Detroit, including front bumper, front double-acting shock absorbers, spare tire.

Prices include Federal taxes. State and local taxes, if any, and transportation extra.



New manufacturing methods, huge new processing equipment, now make possible the greatest Dodge truck values of all time in this giant new Dodge truck plant.

### BETTER BUILT IN 5 VITAL WAYS...YET PRICED WITH THE LOWEST

DODGE now creates new standards of value in the low-price field with a complete new line of ½, ¾, 1, 1½, 2, 3-ton "truck-built" trucks. New styling, new rust-proofing, new larger cabs, new features from one end to the other now make Dodge trucks a still better investment! Take a test, that's all Dodge asks. See your Dodge dealer.

- 1 BONDORIZING**—(Special Rust-proofing)—A revolutionary step ahead! Dodge cabs, bodies, and all sheet metal now rust-proofed in huge new processing equipment at the giant new Dodge truck plant.
- 2 AMOLA STEEL**—This new super-tough steel is used for 1939 in vital Dodge truck parts.
- 3 STYLING**—Distinguished, streamlined appearance for 1939 makes Dodge a moving advertisement to build prestige for your business.

**4 ENGINE**—Dodge 6-cylinder L-head engine is simplest in design, has fewer parts, yet gives you many extra gas and oil saving features.

**5 BRAKES**—Dodge has genuine hydraulic type, fully equalized, stop quick yet save tires and brake linings.

**NEW LOWER PRICES...  
EASY BUDGET TERMS**





## A MAESTRO OF POWER

**S**WIFT and responsive as the strings and brasses of a great orchestra, power moves beneath this man's finger tips. Electric power, varied at his will from the crashing force of ten thousand sledges to the delicate pianissimo that pares a hairbreadth from a piece of steel. And so, from the machine that obeys this man's bidding rolls forth the symphony of American industry—*more goods for more people at less cost.*

This man is typical of the millions of American workmen who, with the machines they direct, set the tempo of American industry. Today the mechanical power in the hands of each factory worker is four times what it was 50 years ago. As a result, the amount that each worker can produce has more than doubled. And because he produces more, he has more.

That is why five out of six American families own radios, why four out of five have automobiles, why one out of three owns an electric refrigerator. That is why America has today the highest standard of living the world has ever known. And General Electric scientists, engineers, and workmen, by applying electric power to the machines of industry, have done much to make this progress possible. Their efforts today are directed to the task of bringing about still higher living standards.

*G-E research and engineering have saved the public from ten to one hundred dollars for every dollar they have earned for General Electric*

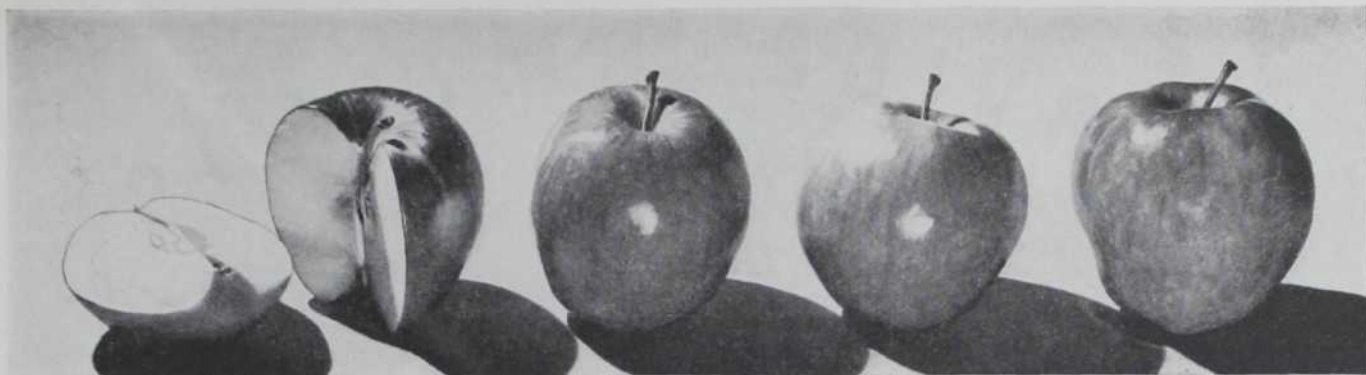
**GENERAL  ELECTRIC**

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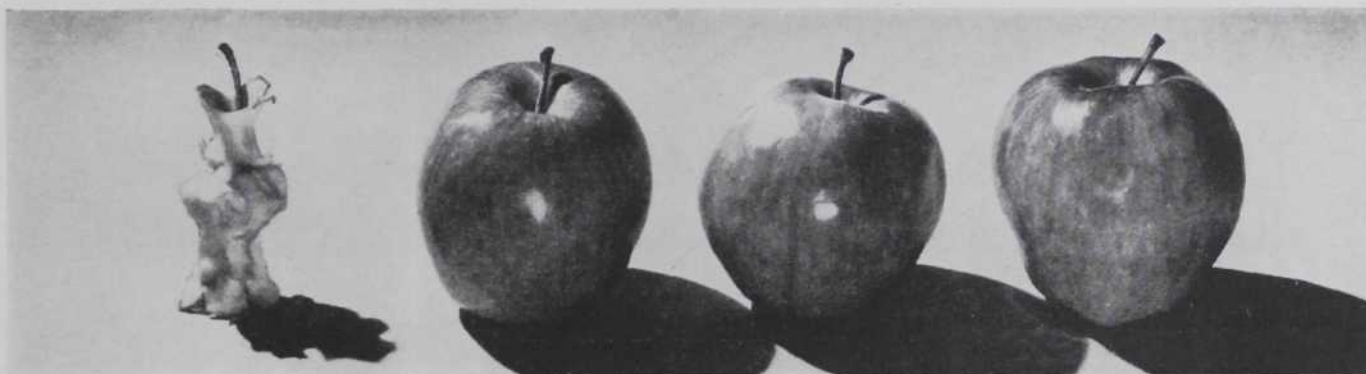
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## IF YOU HAD FOUR APPLES in 1923 The Tax Collector would have taken $\frac{2}{5}$ of 1 Apple



## IF YOU HAD FOUR APPLES in 1938 The Tax Collector would take ALL of 1 Apple

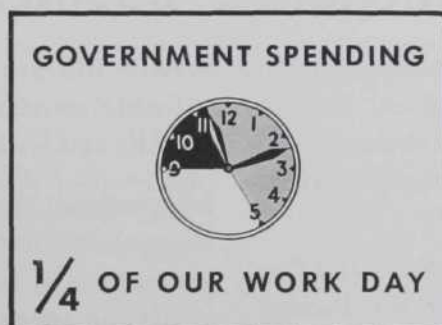
[ IN FACT, the tax collector took 10% of the four-apple income of 1923 while today he takes 22% of little more than a three-apple income and really leaves less than  $2\frac{1}{2}$  apples ]

THIS interests you as a worker. The tax collector goes straight to the man at the work-bench, for all "taxes are paid in the sweat of every man who labors."

The tax-man is humping himself for government now spends \$120,000 a minute each work day.

One-sixth of this spending goes for relief and the unemployed; one-half for the normal activities of government as we knew them in 1923. The remaining one-third goes for new styles of government, including the 65 new federal boards, bureaus, commissions, authorities and corporations that have been set up, most of which restrict private business.

Heretofore, most of the savings which taxes now claim went through various channels to expansion of industry and development of new en-



terprises. The result? These new industries—begun from 1900-1930—employ today  $9\frac{1}{2}$  million men and women, wages have increased one-third, hours shortened one-fifth, and the standards of living of millions raised as if by magic.

After nine years of

doing it the other way, what do we find? Unemployment in eight figures, industry languishing and new developments slowed up.

How long before the 40 million workers, who earn and save, will quit cheering those who propose liberal spending of their dollars—to be taken in taxes from their earnings and savings—and, instead, cheer those who intelligently reduce fantastic government spending? Write for free pamphlet.

*This message is published by*

## NATION'S BUSINESS

It is the 30th of a series contributed toward a better understanding of the American system of free enterprise.

If you want to cooperate we will supply copies in poster size for bulletin boards, leaflets for distribution, mats for newspaper use, and electros for house organs. Write Nation's Business, Washington, D. C.



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"Unforeseen events . . . need not change and shape the course of man's affairs"



## THE NET OF IT

He's a circus man, the daring young man on the flying trapeze. Yet he shows foresight many more business men could emulate. Before the performance, he carefully tests every inch of his rigging . . . with special attention to the net. He knows that despite his skill, an *unforeseen event* might easily make the net an economic, as well as a literal, lifesaver . . .

Now, as the curtain rolls up on 1939, capable executives are examining *their* "nets." With the aid of Maryland agents, they are making sure that their operations are fully protected by adequate casualty and bonding insurance.

Knowing that modern business must operate with increased efficiency, they realize the necessity of a greater margin of *safety*.

\* \* \*

Thousands of industrial and business clients, and homeowners, are being provided by The Maryland with *safety-nets* to cushion the losses incident to everyday hazards of working, living, playing. These policyholders will have more assurance . . . greater confidence . . . during the year ahead. Maryland Casualty Company, Baltimore.

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